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**SECURITY ASSISTANCE IN THE PERSIAN GULF
AND
THE ROOTS OF THE NIXON DOCTRINE**

by
Marc W. Jasper

December 1997

Thesis Advisor:
Thesis Co-Advisor:

Glenn E. Robinson
Ahmad Ghoreishi

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Further, I offer an original interpretation of the origins of the Nixon Doctrine. Only tangentially related to Vietnam, the Nixon Doctrine was centrally concerned with the Gulf, and in particular with providing security resources to Iran and Saudi Arabia to safeguard U.S. interests. The doctrine was driven as much by domestic political pressures as it was by geostrategic concerns. In order to implement the Nixon Doctrine, the U.S. privately advocated raising international oil prices in the early 1970s in order to allow Iran and Saudi Arabia to purchase advanced weapons systems.

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**SECURITY ASSISTANCE IN THE PERSIAN GULF AND
THE ROOTS OF THE NIXON DOCTRINE**

Marc W. Jasper
Major, United States Marine Corps
B.A., The Citadel, 1984


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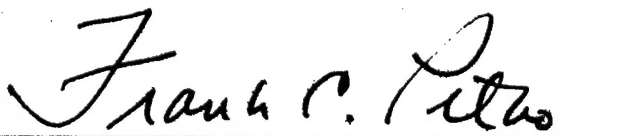
Author: _____


Marc W. Jasper

Approved by: _____


Glenn E. Robinson, Thesis Advisor


Ahmad Ghoreishi, Thesis Co-Advisor


Frank Petho, Chairman
Department of National Security Affairs

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TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. U.S. ARMS TRANSFERS PRIOR TO THE NIXON DOCTRINE	5
A. ORIGINS OF THE NIXON DOCTRINE	6
B. MCNAMARA AND THE GENESIS OF FOREIGN MILITARY SALES	11
C. THE GRAVY TRAIN ENDS: THE EVOLUTION OF THE FOREIGN MILITARY SALES ACT	15
D. COUNTERINSURGENCY AND THE LOSS OF LATIN AMERICAN MARKETS	19
III. THE NIXON DOCTRINE	31
IV. IRAN.....	39
A U.S. SECURITY ASSISTANCE IN THE PERSIAN GULF	39
B. CONSPIRACY, <i>N'EST-CE PAS?</i>	48
C. THE UNITED STATES OPENS THE DOOR: THE IRWIN MISSION.....	63
D. UNINTENDED CONSEQUENCES.....	89
V. SAUDI ARABIA.....	95
A. THE NIXON DOCTRINE AND SAUDI ARABIA	97
B. STABILIZATION OF THE REGION	102
C. DEVIATION FROM THE NIXON DOCTRINE: THE LAST PILLAR STANDING.....	103
VI. REPERCUSSIONS AND POLICY OPTIONS	111
VII. CONCLUSION.....	119
LIST OF REFERENCES	121
INITIAL DISTRIBUTION LIST	125

EXECUTIVE SUMMARY

U.S. security assistance in the Persian Gulf has failed to bring stability to the region. In fact, it may have undermined stability. The "twin pillars" policy, initiated by President Nixon's "Guam speech" and codified in his follow-on Foreign Policy Report of 18 February 1970, was predicated upon arms sales to Iran and Saudi Arabia to stabilize the region. The Islamic revolution in Iran pointed out fundamental weaknesses in the policy, both in terms of its effect upon target regimes and U.S. adaptation to this setback, yet the surrogate strategy's legacy of mass arms sales continues in modified form today; this bodes ill for the future of the region.

I argue that the sale of arms to states in the Gulf region does not guarantee their security; it actually hastens instability. Unfortunately, the present policy is seductive in the short term; the benefits are indeed manifold, albeit illusory. Despite occasional mishaps, U.S. access to oil has remained steady, the hostile designs of both Iran and Iraq have been contained, and the Persian Gulf is in essence an American lake. Most states in the region vie to become a U.S. ally. One cannot argue with the resultant benefits; but in the long term, this policy may prove to be deleterious. History has shown that alliances and loyalties shift rapidly in the region: the presence of oil makes the situation even more volatile.

I examine U.S. security assistance to the Persian Gulf region from 1950, concentrating on the cases of Iran and Saudi Arabia from 1970 to the present. This roughly coincides with the Nixon Doctrine period; I will cover both the factors and assumptions that brought President Nixon to his decision, and the repercussions of it in the Persian Gulf. I contend that U.S. arms sales to the Shah hastened his overthrow, and that the same pattern is emerging (albeit in lesser form) in Saudi Arabia. Further, I argue that U.S. arms transfer policy in the Gulf was driven as much by

economic concerns (that is, the military-industrial complex in President Eisenhower's famous phrase) as by strategic concerns. In fact, the Nixon Doctrine was not merely a clarion call to remove U.S. troops from Vietnam; rather, it was a premeditated move to shift foreign policy toward utilizing Iran to replace Great Britain and maintain U.S. interests (primarily Soviet containment) in the Gulf. The evidence indicates unprecedented U.S. cooperation in raising oil prices in order to allow Iran and Saudi Arabia to purchase technologically advanced weapons systems in their new role as "regional superpowers" safeguarding U.S. interests; after the Shah's overthrow, the United States has taken a direct role in the Persian Gulf, and the surrogate strategy has been overridden by the need to safeguard Saudi oil supplies. Finally, I will argue that a policy which incorporates explicit U.S. defense guarantees for the Gulf Cooperation Council states, combined with selective basing rights and forward deployed forces in the region, is a more effective means of pursuing U.S. interests in the Gulf.

The thesis is divided into five chapters: chapter one examines U.S. arms transfer policy prior to the Nixon Doctrine, and the effects which the Kennedy and Johnson administrations' policy had upon the U.S. arms industry and U.S. security concerns. Chapter two is an examination of the Nixon Doctrine, and specifically the policy concerns which it was meant to address. Chapters three and four will discuss Iran and Saudi Arabia, respectively, and their roles in U.S. policy (primarily as the well-known "Twin Pillars"). Finally, Chapter five will discuss the repercussions of the Nixon Doctrine on the Persian Gulf today, and methods to bring about greater stability in the area.

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I. INTRODUCTION

U.S. security assistance in the Persian Gulf has failed to bring stability to the region. In fact, it may have undermined stability. The "twin pillars" policy, initiated by President Nixon's "Guam speech" and codified in his follow-on Foreign Policy Report of 18 February 1970, was predicated upon arms sales to Iran and Saudi Arabia to stabilize the region. The Islamic revolution in Iran pointed out fundamental weaknesses in the policy, both in terms of its effect upon target regimes and U.S. adaptation to this setback, yet the surrogate strategy's legacy of mass arms sales continues in modified form today; this bodes ill for the future of the region.

I argue that the sale of arms to states in the Gulf region does not guarantee their security; it actually hastens instability. This is due to several factors: first, arms sales alone do not qualitatively increase an army's fighting power. Without the ability to maintain and employ these weapons on the modern battlefield, several states have discovered that high-tech weapons are a poor substitute for basic warfighting skills. Second, the high cost of creating a modern army carries with it the expectation that the army will be able to fight; the ineffectual performance of well-armed forces creates contempt for both the army and the government which it represents. Third, the expense of purchasing modern weapons is well-publicized, and is a bone of contention to a polity whose domestic needs are not being met. Fourth, the sale of arms to adjoining states creates a regional arms race fueled on both sides by the United States. A combination of

these factors has in the past helped bring about popular discontent with the regime and (rightly or wrongly) the United States which supports it.

Unfortunately, the present policy is seductive in the short term; the benefits are indeed manifold, albeit illusory. Despite occasional mishaps, U.S. access to oil has remained steady, the hostile designs of both Iran and Iraq have been contained, and the Persian Gulf is in essence an American lake. Most states in the region vie to become a U.S. ally. One cannot argue with the resultant benefits; but in the long term, this policy may prove to be deleterious. History has shown that alliances and loyalties shift rapidly in the region: the presence of oil makes the situation even more volatile.

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II. U.S. ARMS TRANSFERS PRIOR TO THE NIXON DOCTRINE

By the mid 1960s, under the direction of Secretary of Defense Robert McNamara,¹ arms transfer policy began to shift from grants of surplus equipment and selected military aid under the Military Assistance Program (MAP) to arms sales under the Foreign Military Sales (FMS) and direct commercial sales (CS) programs. Excepting the case of South Vietnam, in a five-year period the ratio of military aid to military sales changed dramatically: in 1961, military aid was twice as large as sales; by 1966, Foreign Military Sales figures were twice as high as military aid.² Interestingly, certain regions continued to get more MAP aid than military sales; these nations, primarily in Latin America and the Far East, were considered counter-insurgency areas where internal security was more important to U.S. policy-makers than external defense. As viewed by strategists, this counter-insurgency aid implied more than the transfer of military technology; it also implied a commitment to economic and social development in the recipient countries.³ To ensure this, MAP funds were complemented by large economic

¹ Anthony Sampson, *The Arms Bazaar* (New York: The Viking Press, 1977), 115-117. Overshadowed by McNamara's Vietnam War policy was his dedication to U.S. arms sales abroad which he called "the cash cow."

² This brief history is explained in greater detail in Roger P. Labrie, et al, *U.S. Arms Sales Policy* (Washington, DC: American Enterprise Institute, 1982).

³ Michael T. Klare, *American Arms Supermarket* (Austin: University of Texas, 1984). Much of the section on Latin America is drawn from Chapter 5 of this source as well.

aid programs. However, U.S. refusal in 1965 to sell advanced aircraft to Latin American countries spurred nations in the region to diversify arms purchases and eschew U.S. goods.

Fierce lobbying from the U.S. aerospace industry followed this loss of Latin American markets (discussed below), in an attempt to remove the strictures on exporting high-tech weaponry. Richard Nixon endorsed these views during his 1968 campaign. Congress was less forthcoming, passing the Foreign Military Sales Act of 1968, which prohibited sales of sophisticated weapons systems to "developing countries." Congress also amended the Foreign Assistance Act, requiring that aid be cut off to any country which diverted "excessive funds" to purchase military hardware. Therefore, it is clear that Congress recognized the deleterious effects of wholesale weapons transfers to lesser-developed countries, and opposed such a policy.

A. ORIGINS OF THE NIXON DOCTRINE

The Nixon Administration's emphasis on arms sales did not emerge *sui generis*: U.S. arms transfer policy had undergone an evolution in the decades following the Second World War. Emerging from that conflict as the world's most powerful nation, the United States perceived its main international challenge to be containment of the Soviet Union. Despite this there was little consensus: several years of policy debate ensued in the late 1940s between proto-isolationists who wished to revert to the *status quo ante*

bellum; expansionists who saw U.S. strength as an opportunity to increase American influence; and liberals who feared both camps. This ambivalence could be seen in U.S. responses to events in Turkey and Greece, where communist threats (through civil war or Soviet interest in the Bosphorus) were generally perceived as serious. However, detractors in Congress called the Truman Doctrine too costly or accused the United States of aiding reactionary states and "British imperialism" in the region.⁴ The situation was similar in China, where some thought the communist menace akin to that in Greece and Turkey, while others supported Mao Tse Tung's revolution, "mistaking it for a predominantly agrarian reform movement representative of the aspirations of the 'common man'."⁵ As late as 1950, President Truman explicitly recognized China's title to Taiwan over great opposition in Congress.⁶

Events in 1950 shook all of these camps from their torpor, beginning with the ratification of a Sino-Soviet friendship in February and culminating in the Korean War, which broke out in June. Congress acted quickly to pass the Mutual Security Act of 1951 which gathered all previous and pertinent legislation concerning military and economic assistance under one source. The Act's preamble stressed the complementary nature of the different measures, and explicitly made security assistance an arm of foreign policy.

⁴ Stockholm International Peace Research Institute (SIPRI), *The Arms Trade with the Third World* (Stockholm: Almqvist & Wiksell, 1971) 139. Hereafter cited as simply *Arms Trade*.

⁵ *Arms Trade*, 140.

⁶ *Arms Trade*, 140.

The Mutual Security Act of 1951 permitted grants of U.S. military equipment and deployment of military advisory groups to foreign nations, but the conditions were rather strict; in some aspects they appear to presage the Nixon doctrine by two decades.

Congress required that a recipient country:

1. Join in promoting international understanding, and good will, and maintaining world peace.
2. Take such action as may be mutually agreed upon to eliminate causes of international tension.
3. Fulfill the military obligations which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party.
4. Make consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world.
5. Take all reasonable measures which may be needed to develop its own defense capabilities.
6. Take appropriate steps to ensure the effective utilization of the economic and military assistance provided by the United States.⁷

These strictures, imposed by a Congress which found the original legislation too lenient, were highly unpopular with the third world governments who wished to avoid the alliances which the Act appeared to demand; difficulties ensued with the leaders of Iran,

⁷ *Arms Trade*, 157-158.

Mexico, Indonesia and Brazil.⁸ This was to become a pattern: the executive branch viewed security assistance as an integral (and often the fundamental) part of its foreign policy, while the legislative branch, more cautious, imposed what it considered to be reasonable restrictions on arms transfers. A compromise bill, the Mutual Security Act of 1954, erased some of these limitations of the 1951 Act, allowing the president to waive some eligibility requirements on arms transfers, but again only under certain strict conditions.⁹

During the 1950s U.S. arms policy focused upon three broad geographic zones: these were the forward defense areas, the free world orientation areas, and Latin America. This distinction was to figure prominently in later arms transfer debates and would directly effect the Nixon administration. Further, the majority of U.S. arms transfers were made under the Military Assistance Program (MAP), which transferred war surplus equipment to recipient states; these transfers were almost entirely grants, as both the European and Far Eastern economies had been shattered by the war, and at first could not pay for weaponry. Interestingly, MAP funds were authorized under the Foreign Assistance Act (rather than under defense spending) in keeping with the explicit linkage between arms transfer and economic development in foreign policy.

The first category, the forward defense areas, encompassed those nations which

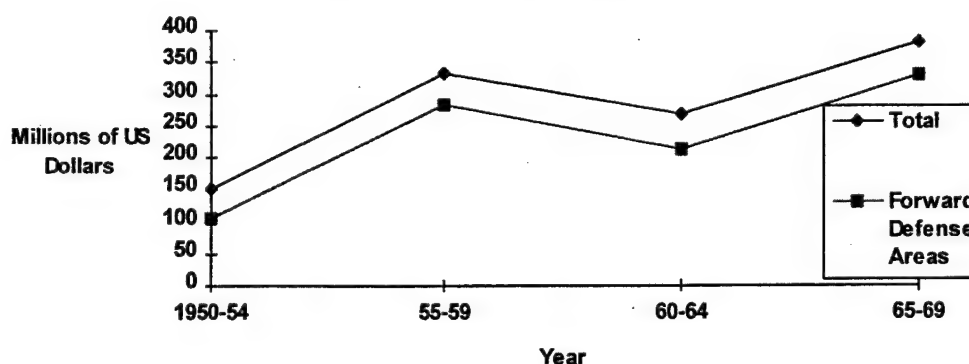
⁸ *Arms Trade*, 158.

⁹ *Arms Trade*, 159.

bordered China or the Soviet Union, and included the whole of Europe. The U.S. commitment to these areas may be seen in Figure 1; from 1950 to 1970, the forward defense areas received about 75 percent of total U.S. weapons exports. The major recipients were (in millions of U.S. dollars): France (\$24,029), South Korea (\$15,337), Turkey (\$14,841), Taiwan (\$13,059), Italy (\$12,710), Greece (\$7,942) and Belgium (\$7,100).¹⁰

FIGURE 1¹¹

Major U.S. Weapons Exports



The free world orientation areas, i.e., the rest of the world excepting Latin America, remained relatively unimportant through the 1950s in terms of arms transfers,

¹⁰ Keith Krause, *Arms and the State: Patterns of Military Production and Trade* (Cambridge: Cambridge University Press, 1992), 99.

¹¹ *Arms Trade*, 142.

as did Latin America. The United States refused to sell sophisticated equipment to these areas due to their relative security from attack.

Until the late 1950s, U.S. security assistance efforts enjoyed widespread domestic support. By then however, the initial mission of military aid seemed fulfilled; the forward defense areas were secure from direct Soviet or Chinese attack, and the economy of Europe had been rebuilt and had begun to boom. Congress again became involved, calling the ostensibly superfluous MAP a "giveaway"¹² and insisted that some of the grant aid be shifted to loans; further, a new division was set up in the Pentagon to ensure that free arms went only to nations which could not afford to pay for them.¹³ The Europeans, many of them newly wealthy but still short of cash, insisted upon and received co-production agreements under which U.S. arms were manufactured under license in Europe.

B. MCNAMARA AND THE GENESIS OF FOREIGN MILITARY SALES

The election of President Kennedy and the elevation of Robert McNamara to Secretary of Defense brought about a distinct change in U.S. security assistance, and created the conditions which the Nixon Doctrine merely perpetuated.

Both Kennedy and McNamara had legitimate concerns over U.S. arms transfer

¹² Paul L. Ferrari, *U.S. Arms Exports* (Washington, DC: Investor Responsibility Research Center, 1987), 19.

¹³ Sampson, *The Arms Bazaar*, 115.

policy as they found it in 1961. For President Kennedy, an overriding interest was economic: the MAP gave away \$1.5 billion a year in weapons, while the U.S. deficit in balance of payments stood at \$3 billion. At the beginning of his administration, Kennedy told his NATO allies that they must pay for their weapons, and he asked West Germany to bear the entire cost of aid to Turkey, which was \$150 million a year.¹⁴

McNamara (in keeping with his background) was concerned not only with the economics of the issue but also the lack of standardization in NATO: for example, in 1961 NATO armies used fourteen types of small-arms ammunition, while the Warsaw Pact used only one.¹⁵ In response, McNamara approved the foundation of the International Logistics Network (ILN), which was "unashamedly an organization for selling arms."¹⁶ By 1962, the ILN's chief, Henry Kuss, could boast that the United States was selling twice the amount of arms (about \$2 billion) per year as it was giving away in grant aid.¹⁷

Thus, on a historical continuum, it can be seen that the Nixon Doctrine was not formulated merely as an excuse to sell arms, nor as a response to the sudden influx of revenue in oil states such as Iran or Saudi Arabia. Rather, in keeping with Nixon's desire

¹⁴ Ferrari, *U.S. Arms Exports*, 19.

¹⁵ Sampson, *The Arms Bazaar*, 115.

¹⁶ Sampson, *The Arms Bazaar*, 116.

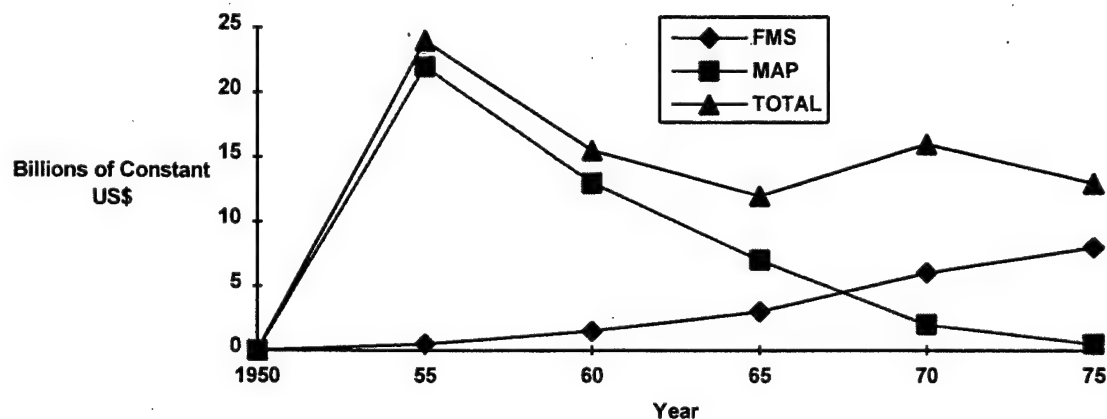
¹⁷ Sampson, *The Arms Bazaar*, 117.

to honor earlier commitments, it was a continuation of policy regarding the sale of arms to nations who could afford to pay.¹⁸

Figure 2 shows that by 1968, Foreign Military Sales began to outnumber MAP grants in dollar value, and by 1974 Foreign Military Sales were of greater value than the Military Assistance Service Fund, which was the program in place to assist South Vietnam, Laos and Thailand.

FIGURE 2¹⁹

U.S. Arms Transfer Patterns, 1950-77



These renewed foreign military sales began to go largely to the free world

¹⁸ A discussion of other scholars' opinions regarding Nixon's motivations appears later in the text.

¹⁹ Krause, *Arms and the State*, 100.

orientation areas in response to parallel Soviet attempts to use arms transfers as a policy tool; in essence, arms sales became a well-known competition between the United States and the Soviet Union, and, in fact, shrewd governments used this to force concessions from one government merely by threatening to buy arms from the other. The Shah of Iran played this card as well as any, shocking the United States with his large purchases of Soviet gear in 1966, which resulted in greater U.S. assistance thereafter. As for Latin America, another Kennedy initiative ushered in the counterinsurgency era, and "... the basis for military aid to Latin America abruptly shifted from hemispheric defense to internal security ... against Castro-communist guerrilla warfare."²⁰ Beginning in 1963, the MAP provided not only surplus World War II or Korean War arms, but grants or credits for counterinsurgency hardware and training, for both military and paramilitary forces.²¹

McNamara's dictum that "security is development" consciously steered U.S. security assistance in Latin America away from costly, high-tech weapons, which were perceived as wasteful and unnecessary for a developing country. Official doctrine held that "... the need for expensive arms by Latin American countries does not appear great. They are protected against conventional military threats by the effective inter-American peace-keeping machinery, by the Rio Treaty guarantees, and by wide oceans."²²

²⁰ Krause, *Arms and the State*, 100.

²¹ Quoted Krause, *Arms and the State*, 87-88.

²² Krause, *Arms and the State*, 88.

The U.S. unwillingness to sell sophisticated weaponry, as well as a certain arrogance in dictating the uses to which sovereign states would put their armies, had a far-reaching effect.

C. THE GRAVY TRAIN ENDS: THE EVOLUTION OF THE FOREIGN MILITARY SALES ACT

The Foreign Military Sales program was wildly successful during the 1960s (see Table 1); sales rose from \$1.0 billion in FY 1962 to nearly \$2 billion (in constant U.S. dollars) in FY 1966. The precipitous drop in FY 1967 was due to a 50 percent fall in sales to industrial countries,²³ several of which had begun domestic weapons programs. This coincided with a rise in sales to third world nations, which rose from \$4.6 million in FY 1964 to \$444.5 million in FY 1966.

TABLE 1²⁴

U.S. Military Export Sales, By Type of Order (U.S. \$ million)

	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969
Foreign Military Sales, cash	1137.6	1457.4	861.7	829.8	1450.6
Foreign Military Sales, credit	110.6	320.0	320.8	263.8	281.2
Total	1248.2	1777.4	1182.5	1093.6	1731.8

²³ *Arms Trade*, 170.

²⁴ *Arms Trade*, 171.

This precipitous rise is often tied to a U.S. desire to effect balance-of-payment deficits; McNamara explicitly made this case in early 1967. The evidence suggests otherwise, however. The 1964 Foreign Assistance Act (Sections 503 and 504) allowed the Department of Defense to guarantee the financing of foreign military sales, while only obligating 25 percent of the loan to back up a 100 percent guarantee; this reserve came from the Military Assistance Credit Fund, commonly known as the "revolving fund."²⁵ In 1965, legislation was passed which allowed this service to be provided without the recipient paying a service charge; and that same year, the Department of Defense and the Export-Import Bank worked out a deal.

The result was the "country-X loan," a shadow scheme whereby the Export-Import Bank (a civilian development organization) loaned money to the Department of Defense (under DOD guarantee, no less) and then the DOD used the loan to finance arms sales. Ostensibly, the Export-Import bank did not deal with a country directly and thus was not financing military sales. The country-X loans thus enabled DOD to finance arms sales worth up to four times the actual amount of the revolving fund, without congressional authorization.

The program was popular in the DOD, and even more so abroad because with the exception of Chile and Argentina, the DOD subsidized the interest on accounts (see Table 2); the recipient nations paid less in interest to DOD than DOD did to the Export-Import

²⁵ *Arms Trade*, 171-172.

Bank. Roughly 60 percent of U.S. weapons sales were made through country-X loans, while another 20 percent were made through direct DOD loans. Further, about a third of total Export-Import Bank loans were going to arms sales by 1967. In the third world, \$4 billion a year was being spent on debt service alone, a sum equal to half of all economic aid.²⁶

TABLE 2²⁷

U.S. Department of Defense Loans, FY 1966-67 (U.S. \$ million)

Export-Import Bank Guaranteed Loans

	Amount, millions U.S. \$	Interest paid by recipient, %	Interest paid by DOD to Export- Import, %	Direct DOD loans, millions U.S. \$
Iran	210	4-5.5	4.85-5.5	41
Saudi Arabia	143	5.1-5.5	5.5	0
Israel	88	3.5-5	3.5-5.5	54
India	18	3	5.5	41
Jordan	9	3	4.85	6
Morocco	4	3	4.85	3
Pakistan	3	3	5.5	3

The country-X loans, which appear to have been a conscious effort to circumvent

²⁶ Sampson, *The Arms Bazaar*, 182.

²⁷ *Arms Trade*, 173.

congressional scrutiny, were not publicized;²⁸ for example, direct loans to Australia for military sales were listed under "miscellaneous equipment."²⁹

By the mid-1960s, congressional resistance to McNamara's policy was hardening although congressional attitudes to arms transfer policy had always been ambivalent. Since 1953, Congress had cut 15-20 percent of the defense; but by the mid-1960s, congressional resistance palpably increased. The Indo-Pakistan War of 1965, where Pakistanis in U.S. Patton tanks fought Indians in U.S. Sherman tanks, publicized the issue. J.K. Galbraith, former Ambassador to India, went so far as to claim that, "The arms we supplied under this policy caused the war."³⁰

Sales of F-4s to Iran, A-4s to Argentina and F-5s to Morocco brought matters to a head. Senate hearings on disarmament were held in early 1967; after a seven-week deadlock in Congress, the following features were added to the 1967 Foreign Aid Bill:

1. A \$190 million ceiling was placed on the Pentagon's guaranteed arms sales for FY 1968.
2. After 31 December 1968, the revolving fund was to be abolished.
3. Economic assistance to countries diverting resources to unnecessary military expenditures would be reduced or halted. These last amendments, known as the Conte-Long

²⁸ Indeed, Harold Linder, the Export-Import president, stated, "I would not wish to have it known that the bank had done specific financing for one side or the other." *Arms Trade*, 172-173.

²⁹ *Arms Trade*, 172.

³⁰ Sampson, *The Arms Bazaar*, 181. The emphasis is Sampson's.

and Symington Amendments, were later applied to Peru in May 1968.³¹

In 1968, the Johnson administration introduced a military sales bill, codified as the Military Sales Act of 1968. It essentially incorporated the amendments to the 1967 Foreign Assistance Bill, abolishing Export-Import loans as well as limiting DOD ability to guarantee loans; it imposed ceilings on sales and required semi-annual reports to Congress on sales to developing countries. Finally, it prohibited the sale of sophisticated weaponry to all countries except Greece, Turkey, Iran, Taiwan, Korea, and Israel without presidential approval.³²

D. COUNTERINSURGENCY AND THE LOSS OF LATIN AMERICAN MARKETS

Considered neither a forward defense area nor a free world orientation area, Latin America comprised a large portion of (for lack of a better term) the western hemispheric defense system. The role of the United States as the primary weapons supplier to the region ensured restraint in the arms trade; one study of arms transfers to the region from 1945-1965 characterized the situation as not an arms race but an "arms walk."³³

Castro's turn toward communism, fear of the revolution's spread in Latin America,

³¹ *Arms Trade*, 177.

³² *Arms Trade*, 176-178.

³³ Quoted in Sampson, *The Arms Bazaar*, 186.

and Krushchev's famous 1961 speech calling for wars of liberation, hastened a change in U.S. policy. As mentioned, both Kennedy and McNamara touted economic development (McNamara felt that "revolutions arise from poverty")³⁴ as a key to security, and they were firm believers that internal security was more important to the region's stability than external security.

The swiftness of the change in arms transfer patterns is noteworthy: as Figure 3 shows, internal security assistance, primarily in the form of helicopters (to replace fixed-wing aircraft), riverine patrol boats, and counterinsurgency (COIN) teams,³⁵ as a percentage of total military aid in Latin America rose from 3 percent in 1960 to 28 percent in 1961, 68 percent in 1963 and over 76 percent by 1967.³⁶

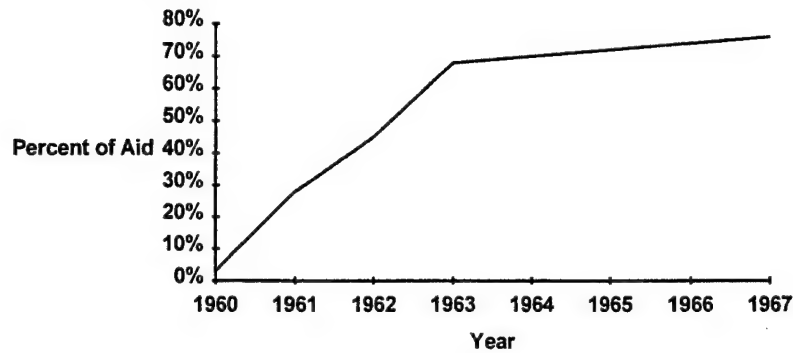
³⁴ *Arms Trade*, 155.

³⁵ *Arms Trade*, 708.

³⁶ *Arms Trade*, 708.

FIGURE 3

Internal Security Aid as Part of Total Military Aid to Latin America, 1960-1967



The cogent point in this change was the conscious U.S. decision to place a qualitative limit on arms transfers to the area; it was feared that acquisition of sophisticated weaponry might divert resources from economic development and hence lead to instability. Numerous efforts were made to keep Latin American nations from buying sophisticated arms: notably in 1967, the United States requested that countries in the region pledge themselves not to buy or manufacture supersonic aircraft, naval vessels heavier than destroyers, missiles, or tanks over 30 tons.³⁷

The counterinsurgency strategy began to have ramifications almost immediately. In 1965, despite U.S. displeasure, Argentina began negotiations to purchase French *Mystère* aircraft; the U.S. Air Force recommended F-5s, arguing that if the United States supplied key weapons it could keep greater control over use and proliferation. The State

³⁷ *Arms Trade*, 717.

Department disagreed, so instead the United States agreed to supply 50 A-4s (only 25 of which were delivered due to Vietnam War demands). The cost of the A-4 was much lower than for the F-5, and supposedly more in keeping with the administration's internal security motif, though at the time, McNamara admitted that the A-4 had "absolutely nothing" to do with internal security.³⁸

Peru, either overreacting³⁹ or wishing to replace its aging fleet of F-86s,⁴⁰ made inquiries to the United States about supersonic fighters. An arms race was in the making, as Peru approached both the United States about F-5s and the British about their Lightning aircraft. The United States pressured Britain into refusing Peru's request, then refused as well; this set off a chain of events which led directly to President Nixon's decisions *vis a vis* Iran.

Rebuffed by Washington, which saw the request "... as a prime example of wasteful military expenditures for unnecessarily sophisticated equipment,"⁴¹ Peru turned to Paris. By August 1967, a deal was struck for the purchase of twelve Mirage aircraft. Two weeks after the deal was announced in October 1967, the United States offered the F-5 to Argentina, Brazil, Chile, Peru, and Venezuela. To mollify Congress, the Defense Department agreed to spread out delivery of the sophisticated aircraft over a protracted

³⁸ *Arms Trade*, 717.

³⁹ *Arms Trade*, 718.

⁴⁰ Klare, *American Arms Supermarket*, 88.

⁴¹ Klare, *American Arms Supermarket*, 88.

time period. This would ostensibly reduce the deleterious effect of large purchases on the Latin American economies.

The United States also began to threaten use of the Symington Amendment against these countries if they purchased aircraft other than the F-5. The response justifiably was outrage from the region, and a turn toward both new sources of arms and a desire to create domestic arms industries. One senior Brazilian officer stated that, "A nation is only truly independent when it manufactures its own equipment."⁴² As good as its word, Brazil soon began to build Italian jets under license.

By April 1968, Peru had purchased 12 Mirage aircraft and 78 AMX-13 tanks from France; in May it bought six British Canberra aircraft.

Shortly after the U.S. offer in November 1967, Brazil announced that it would buy equal numbers of F-5s and Mirages. In February of 1968, it purchased six HS-125 transport aircraft from Britain. In essence, Latin American began to willfully avoid U.S. weaponry; in 1970, the day after a further U.S. offer of A-4s or F-5s to Brazil, Chile and Columbia, Brazil announced that it would purchase 16 Mirages. This cannot be construed as anything but a deliberate statement regarding the U.S. role in Latin America's arms market. Later that year, Argentina purchased 14 Mirages, and Columbia purchased 18, while contracting to train 43 pilots in France.⁴³

⁴² *Arms Trade*, 720.

⁴³ *Arms Trade*, 720.

These French sales increased the resentment of American arms companies against Washington; the companies complained of Congress' high-handed paternalistic approach. From 1968 to 1972, European sales to Latin America totaled \$1.2 billion, while U.S. sales amounted to only \$335 million;⁴⁴ European sales accounted for 84 percent of total Latin American purchases.⁴⁵ Another blow to the U.S. arms manufacturers was that 60 percent of U.S. sales volume to the region went for parts and services on previously delivered goods rather than end-items.⁴⁶ By 1970, the U.S. Army general responsible for military aid and sales programs admitted that, "The USA is losing the military equipment market of Latin America."⁴⁷ Table 3 shows the drop in revenues from U.S. arms sales to Latin America.

⁴⁴ Sampson, *The Arms Bazaar*, 187.

⁴⁵ Andrew J. Pierre, *The Global Politics of Arms Sales* (Princeton, NJ: Princeton University Press, 1982), 234.

⁴⁶ Ferrari, *U.S. Arms Exports*, 164.

⁴⁷ Quoted in *Arms Trade*, 721.

TABLE 3⁴⁸

Foreign Military Sales in Latin America (\$ million)

Year	Amount
1968	154.5
1969	115.8
1970	103.4
1971	71.8

Though Andrew Pierre argues that the loss of Latin American markets had a negligible effect, the loss dealt a severe psychological blow to U.S. aerospace contractors, perhaps a case more of frustration at loss of lucrative markets than actual desperation. The industry had traditionally been susceptible to a boom and bust cycle, and a rather short one at that; international crises seldom lasted long, and therefore boom times rarely lasted more than a few years. Both 1958, prior to the Sputnik launch, and 1964, prior to the expansion of the Vietnam War, had been bad years for the industry.

By 1968, with delivery due on orders made in 1965 and 1966, the industry had reached its peak: the aerospace sector employed 1.5 million workers, with over 600,000 of them in California. The workers and the corporations possessed considerable political clout: "However ruthless a Secretary of Defense [and by extension a president], he could

⁴⁸ Ferrari, *U.S. Arms Exports*, 166.

not afford to let whole communities crumble or production lines disappear."⁴⁹ In 1968, the aerospace industry accounted for 37 percent of all manufactures in California.⁵⁰

Beneath this humming facade lurked unease, however. The aerospace companies had been facing a series of disasters since 1967, which merely began to snowball as the Vietnam War effort wound down, the U.S. space program was cut back, and long-term prospects for expansion in civilian airline travel dimmed. Both Douglas Aircraft (which built the DC-9) and North American Aircraft (which built equipment for the Apollo space missions) faced bankruptcy due to lack of orders or intolerable delays in production. McDonnell of St. Louis bought Douglas for a low price, and Rockwell acquired North American.

The crisis only worsened. Boeing, which in 1968 employed 100,000 people, lost a contract for supersonic airliners, and was forced to cut 60,000 jobs while attempting to diversify. The effort failed, and if not for the fortuitous appearance of the 747, Boeing too would have folded.

The most spectacular crisis of all came with Lockheed,⁵¹ which was the nation's biggest arms company for most of the decade. In FY 1965, Lockheed received \$1.7 billion in orders, twice as much as its closest competitor, General Dynamics. Lockheed built the C-130 and C-141 aircraft, troop transports which were in great demand

⁴⁹ Sampson, *The Arms Bazaar*, 215.

⁵⁰ Sampson, *The Arms Bazaar*, 216.

⁵¹ Sampson, *The Arms Bazaar*, 218.

worldwide. Further, in 1964, Lockheed won the contract for the C-5A Galaxy, the largest transport aircraft in the world. Plans were made to convert the C-5A from military to civilian use; this would allow Lockheed to put a lock on airline manufactures as well. The world seemed to be Lockheed's oyster.

Unfortunately, the Pentagon had been forced to adopt Robert McNamara's Total Package Procurement Program. Prior to McNamara, companies submitted separate bids for each successive phase of a program; these weapons programs could last for several years from development to final production and entailed rather intensive technical work. McNamara's concept demanded that contractors bid one overall price for the total package - from design and development of a prototype, to production of the system, to logistical support of the completed weapons system. The idea was to force contractors to bid their absolute lowest in competition for the total package.

As one chronicle states, "The idea performed better on paper than in the defense marketplace."⁵² Many companies discovered that it was impossible to realistically estimate the costs for a complex project of several years duration (as opposed to the rather pedestrian changes which McNamara's old employer, Ford Motor Company, made to existing auto models from year to year), and enormous cost overruns became the norm. The U.S. Navy experienced this in several areas where shipyards bid for projects which

⁵² Jacob Goodwin, *Brotherhood of Arms: General Dynamics and the Business of Defending America* (New York: Random House, 1985), 102.

would take dozens of years to complete, and where inflation, supply disruptions or material cost increases over the period could not be forecast accurately.

Lockheed signed a Total Package Procurement contract for the C-5, under which the prototype was supposed to meet specific weight, takeoff and performance characteristics; these numbers were, according to Deputy Secretary of Defense (and former chairman of Hewlett-Packard) David Packard, "... arbitrary to begin with ... But those goddamned specifications were written into the contract, and there wasn't any give in them."⁵³ Not surprisingly, one of Packard's first acts in the DOD was to do away with Total Package Procurement.

Based upon the contract's specifications, Lockheed's prototype was too heavy, so weight had to be shaved from the aircraft's wings. Consequently, the wings were too weak to last the required 30,000 flight hours, and had to be rebuilt.⁵⁴

By 1969, Lockheed's cost overrun was in excess of \$1 billion. The aircraft were also late in delivery; the Pentagon demanded \$16,000 from Lockheed for each day the planes were late.⁵⁵ In March, Lockheed's president was asking for \$640 million in advance payments from the Pentagon (without which he said Lockheed would discontinue its defense programs); by 1970, Lockheed was "in serious difficulties."⁵⁶

⁵³ Goodwin, *Brotherhood of Arms*, 211.

⁵⁴ Goodwin, *Brotherhood of Arms*, 211.

⁵⁵ Sampson, *The Arms Bazaar*, 219.

⁵⁶ Sampson, *The Arms Bazaar*, 219.

Desperate to escape its dependence on the Pentagon, that same year Lockheed was attempting to diversify and developed the Tri Star, a wide-bodied civilian airliner powered by Rolls-Royce engines. The British Rolls-Royce company was also in trouble, however: writer Anthony Sampson calls the collaboration "the lame leading the lame."⁵⁷ In January 1971, Rolls-Royce declared bankruptcy; the British government nationalized Rolls-Royce's defense sector, but elected to let the civilian unit die. This meant, in essence, the demise of Lockheed as well. Lockheed's president traveled frantically from Washington to London, lobbying both governments. The British government, after bitter disputes, agreed to continue to finance the Tri Star's development on one condition: that Washington *guarantee* the future of Lockheed.⁵⁸

Secretary of the Treasury John Connolly requested a \$250 million loan guarantee from Congress; and after tireless lobbying from Lockheed and President Nixon, the Senate approved the loan by only one vote.⁵⁹

⁵⁷ Sampson, *The Arms Bazaar*, 220.

⁵⁸ Sampson, *The Arms Bazaar*, 220.

⁵⁹ Sampson, *The Arms Bazaar*, 221.

III. THE NIXON DOCTRINE

One sees several trends in arms transfers which the Nixon Administration inherited from its predecessors, and which required immediate attention. The promised draw-down of U.S. troops in Asia was predetermined by the national mood and political necessity: but the loss of Latin American arms markets as well as the catastrophic events befalling U.S. arms manufacturers also demanded a quick fix.

The prior policy of circumventing congressional oversight in arms sales had been eviscerated by the Foreign Military Sales Act of 1968; thus, if arms sales were to take place, they must be to: 1) developed countries,⁶⁰ who 2) needed weapons but had no infrastructure to build their own, and 3) could pay cash. The Nixon Doctrine was formulated at least in part with these criteria in mind.

I shall argue that Iran met the first two conditions; and that the U.S. government supported an oil policy which made the third possible by allowing Iran to increase its oil revenues under U.S. protection.

During a tour of Asia in July 1969, President Nixon delivered his famous "Guam Speech." In the speech he made an explicit break with previous policy, and with Congressional strictures:

I believe that the time has come when the United States, in our relations . . . should be quite emphatic on two points:

⁶⁰ In November 1967, Iran was declared a "developed" country and the U.S. aid mission was removed; this gave Iran the right to buy U.S. arms unimpeded by U.S. law, since the Nixon Doctrine was an explicit promise to honor old obligations.

One, that we will keep our treaty commitments . . . but two, that as far as the problems of internal security are concerned, as far as the problem of military defense, except for the threat of a major power involving nuclear weapons, that the United States is going to encourage and has the right to expect that this problem will be increasingly handled by, and the responsibility for it taken by, the . . . nations themselves.⁶¹

Nixon did not see this policy, later called the Nixon Doctrine, as a U.S. withdrawal from world affairs, but rather as a viable method for the United States to remain engaged at lower cost in blood and treasure.⁶² He reiterated and expanded upon the Guam speech in his foreign policy report to the Congress on 18 February 1970:

First, the United States will keep all of its treaty commitments.

Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security.

Third, in cases involving other types of aggression, we shall furnish military and economic assistance when requested in accordance with our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense.⁶³

This, in essence, opened the floodgates to virtually unlimited foreign military sales, as

⁶¹ Quoted in George Lenczowski, *American Presidents and the Middle East* (Durham, NC: Duke University Press, 1990), 116-117.

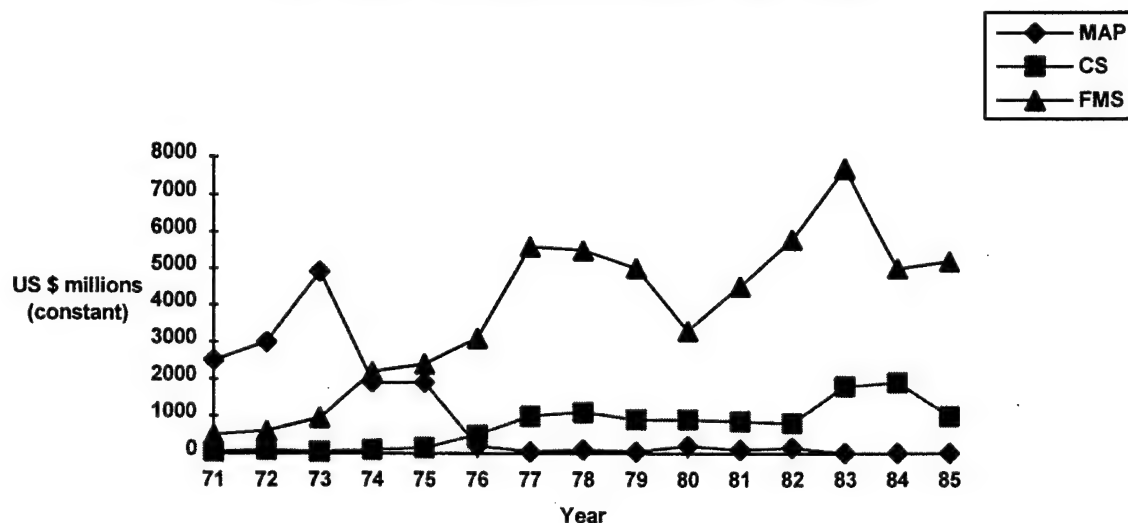
⁶² Richard M. Nixon, *The Memoirs of Richard Nixon* (New York: Grosset & Dunlap, 1978), 395.

⁶³ John Lewis Gaddis, *Strategies of Containment* (Oxford: Oxford University Press, 1982), 298.

weapons replaced a U.S. presence in some regions (with Europe the exception). The impact of this change may be seen in Figure 4.

FIGURE 4⁶⁴

U.S. Arms Transfers Worldwide, 1971-1985



As can be seen from the figure, Nixon's pronouncement had long-reaching effects. In 1971, U.S. military grants were \$2.2 billion; by 1976 they totaled only \$265,000. There are two noteworthy trends; the 1972 increase in MAP, which reflects the U.S. troop withdrawal from Southeast Asia (and the ultimately unsuccessful attempt to replace U.S. troops with U.S. equipment); and the 1973-1974 and 1979-1982 increases in Foreign Military Sales, reflecting increased oil revenue in the Gulf states, and the shift in focus

⁶⁴ Michael Brzoska and Thomas Ohlson, *Arms Transfers to the Third World 1971-85* (New York: Oxford University Press, 1987), 49.

from Iran to Saudi Arabia respectively. Total deliveries of U.S. arms rose 150 percent from 1968-1977, with the majority of these to "developing countries"; the 1979-1980 decline highlights the loss of the Iranian market.

Although most sources⁶⁵ trace the Nixon Doctrine solely to the U.S. presence in Vietnam, an examination of the timeline shows a fascinating intersection of related occurrences, which pointed to a different conclusion. Following British Prime Minister Harold Wilson's announcement that the United Kingdom would withdraw from the Persian Gulf in 1971, President Nixon ordered his National Security Advisor, Henry Kissinger, to formulate a basic policy framework for the region. The resulting document, National Security Council Study Memorandum 66 (NSSM-66) was submitted to the White House on July 12, 1969,⁶⁶ more than a week before Nixon left on his trip to the Pacific.

A major conclusion of that study . . . was that the United States would not assume the former British role of protector in the Gulf area, but that primary responsibility should henceforth fall on the states of the region . . . we are willing to assist the Gulf states but we look to them to bear the main responsibility for their own defense and to cooperate among themselves to insure regional peace and stability. We especially look to the leading states of the area, Iran and Saudi Arabia, to cooperate for this purpose.⁶⁷

This was codified in National Security Decision Memorandum 92 (NSDM-92), which

⁶⁵ With Hartung the exception.

⁶⁶ Klare, *American Arms Supermarket*, 112.

⁶⁷ Klare, *American Arms Supermarket*, 114-115.

directed that Iran be encouraged to assume ". . . primary responsibility for peace and stability in the Gulf."⁶⁸ The documents remain classified; in fact the Index of National Security Documents does not even list the two documents.

The evidence strongly suggests that the Nixon Doctrine was "premeditated,"⁶⁹ and the Guam speech based as much on making possible Nixon's "twin pillars" policy in the Gulf as disentangling U.S. forces from Vietnam. At the same time, as discussed above, Nixon was aware that cutbacks in Vietnam War spending would harm defense contractors; the prospect of unimpeded access to new foreign markets under the Nixon Doctrine offered a much needed financial shot in the arm to these companies.⁷⁰ As for fundamental motivation, Kissinger and Nixon shared a certain amount of bitterness over the "cumulative constraints"⁷¹ (Kissinger's words) placed upon U.S. military aid to Southeast Asia. The use of foreign military sales, which were not subject to Congressional oversight or approval, gave the President a formidable policy tool which the legislative branch could not legislate.⁷²

An astute political solution, the Nixon Doctrine could be touted as all things to all

⁶⁸ Klare, *American Arms Supermarket*, 117.

⁶⁹ William D. Hartung, *And Weapons for All* (New York: Harper-Collins, 1994), ch. 2. Hartung disagrees, but seems to presuppose that Nixon was a bungler. I would argue that Nixon was shrewder than to change policy that drastically "off the cuff."

⁷⁰ Hartung, *And Weapons for All*, 29.

⁷¹ Hartung, *And Weapons for All*, 29.

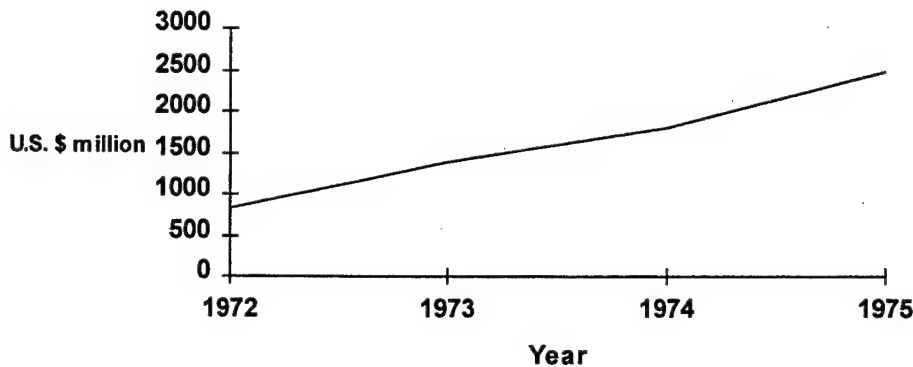
⁷² Hartung, *And Weapons for All*, 47.

people: it supported containment of the Communist threat by supporting "regional surrogates;" whether through Asianization to contain the Chinese threat, or the twin pillars to guard the Persian Gulf against Soviet threats. In fact, containment was the bedrock upon which the Nixon doctrine rested: despite U.S. troop withdrawal from some areas (325,000 from Asia alone in 1969-1971), the United States maintained its troop strength in Europe, where the Soviet threat was strongest. Stephen Gibert's comment that the Nixon Doctrine was a "Europe first" policy⁷³ is probably correct: but since Europeans did not buy many U.S. weapons, Nixon needed to turn to another source. It is noteworthy that the aerospace industry became progressively more dependent on foreign military exports. As Figure 5 shows, military aircraft orders from abroad rose from \$840 million in 1972 to \$2.5 billion by 1975.

⁷³ Stephen Gibert, "Implications of the Nixon Doctrine for Military Aid Policy", *Orbis* 16:3 (Fall 1972), 677.

Figure 5⁷⁴

Military Aircraft Orders from Abroad , 1972-1975



Further, the Nixon Doctrine saved American lives by keeping the boys at home and away from regional brushfires. In essence, U.S. strategy evolved from a 2½ Major Regional Contingency (MRC) footing to 1½ MRC footing;⁷⁵ and finally, it kept the defense industries solvent by advocating unlimited arms sales to our allies. Therefore, Vietnamization, while making political hay, was not the foundation of the Nixon Doctrine.

Administration officials consistently argued that the Nixon-Shah agreement was neither ill-conceived nor hastily contrived. "Our [arms] supply policy is not the result of a series of improvisations," Deputy Assistant Secretary of Defense Noyes told the House Foreign Affairs Committee in 1973, but followed directly from the 1969 decision (i.e., NSDM-92) to encourage Iran to assume "primary responsibility for peace and stability" in the Gulf.⁷⁶

⁷⁴ Sampson, *The Arms Bazaar*, 241.

⁷⁵ Gibert, "Implications . . .", 677.

⁷⁶ Klare, *American Arms Supermarket*, 117.

Thus was born the "twin pillar" policy of arming Saudi Arabia and Iran as U.S. surrogates in the Persian Gulf.

IV. IRAN

A. U.S. SECURITY ASSISTANCE IN THE PERSIAN GULF

Since the 1940s, U.S. policy in the Middle East has been primarily based on three concerns: access to oil; the survival of Israel; and containment of hostile states in the Gulf region, first the Soviet Union, then later Iran and Iraq respectively. This policy has remained surprisingly consistent, and U.S. initiatives in the region must first be examined in the light of these concerns.

With access to oil the first priority for the United States, and the Gulf region the world's largest oil reserve, U.S. policy would naturally devolve to friendly (i.e., non-Communist) powers in the region. In 1969-1970, Iran and Saudi Arabia were the wise choices; the 150,000-man Iranian Army as well as its sizable navy and air force made it the major power (with or without U.S. aid) in the region:

Thus Iran could fulfill the role that the Nixon Doctrine envisaged for regional powers. It had ample manpower (in contrast to friendly but underpopulated Saudi Arabia), and its royal government had virtually identical views with the United States regarding the Soviet danger and the need to contain it. "Iran, under the Shah," wrote Kissinger, "was one of America's best, most important, and most loyal friends in the world."⁷⁷

In fact, Iran met all the necessary criteria: it was anti-Soviet due to its own misadventures with the USSR after World War II; it was friendly to Israel; and it

⁷⁷ George Lenczowski, *American Presidents and the Middle East*, 118.

controlled both a large oil supply and, more importantly, the Strait of Hormuz, which all tankers had to transit in exiting the Gulf. This fit in well not only with the new Nixon Doctrine, but also with long-standing U.S. naval theory, which placed maximum importance upon such transit areas: in fact, naval strategists referred to the Strait of Hormuz as "the global chokepoint."⁷⁸

U.S. dependence upon the Shah of Iran meshed perfectly with the Shah's self-image, as well. The Shah thought of himself as a global strategist: "'Not only do we have national and regional responsibilities,' he told Arnaud de Borchegrave of *Newsweek* in 1973, 'but also a *world role* as guardian and protector of 60 percent of the world's oil reserves (emphasis added).'"⁷⁹ Further, he wished to bring Iran on a par with France or West Germany as a world power, specifically as the world's fifth superpower.⁸⁰ He considered this possible in his role as guardian of the Gulf.

It is worth noting what America hoped to gain from this particular policy, and the tangible results of its arms transfers to Iran. First was control of the region without deploying U.S. troops: the experience in South East Asia had created an unwillingness to utilize U.S. troops; the costs were high both politically and economically. The basic premise of arms sales is that they will skew the purchaser's policy in the desired direction,

⁷⁸ Christopher C. Joyner, ed., *The Persian Gulf War* (New York: Greenwood, 1990), 237.

⁷⁹ Klare, *American Arms Supermarket*, 115.

⁸⁰ Manucher Farmanfarmaian, *Blood and Oil* (New York: Random House, 1997), 414-415.

and it was hoped that Iran would put U.S. interests first in exchange for large amounts of arms. Second was continued access to oil for the U.S., European, and Japanese markets; and finally, Nixon desired containment of the Soviet Union.

The Shah had shown a decided ability to play off of the U.S. fear of Soviet expansion. As early as 1966, the Shah's military purchase agreement with the Soviets had been a method to pressure President Johnson into selling him the F-4. Further, he threatened to "... sleep with the devil if U.S. arms sales continued to be tied to economic development."⁸¹ The U.S. also recognized that the Soviets were attempting to gain a greater influence in the region as shown by an increase in naval presence, first in 1969 and then again in 1972 (see Tables 4 and 5).

TABLE 4⁸²

U.S. and Soviet Ship-Days in the Indian Ocean, 1968-1973

	1968	1969	1970	1971	1972	1973
U.S.	1,688	1,315	1,246	1,337	1,435	2,154
Soviet	1,760	3,668	3,579	3,804	8,007	8,543

⁸¹ James A. Bill, *The Eagle and the Lion : The Tragedy of American-Iranian Relations* (New Haven: Yale University Press, 1988), 171-172.

⁸² Michael A. Palmer, *On Course to Desert Storm: The US Navy and the Persian Gulf* (Washington DC: Naval Historical Center, 1992), 76.

TABLE 5⁸³

U.S. and Soviet Port-Calls in the Indian Ocean, 1968-1973

	U.S.	Soviet
1968	71	42
1969	71	68
1970	65	65
1971	97	47
1972	74	110
1973	115	153

In order to act as America's policeman in the Gulf, the Shah expected to acquire military capabilities commensurate with his country's new stature.⁸⁴ In 1971, he requested to purchase F-14 and/or F-15 aircraft, technology so advanced that it had not yet been deployed with U.S. forces. Not surprisingly, there was some resistance: "The Defense Department was reluctant to provide technologically superior weapons that ran the danger of falling into hostile hands, and the State Department feared that such deliveries might become 'too provocative' for Russia."⁸⁵

In May of 1972, Nixon and Kissinger met with the Shah in Tehran: they told him explicitly that they would sell him any weapons he wanted (short of nuclear ones), and then ordered the U.S. government bureaucracy to ensure that these sales occurred. There seems some evidence that this may have been a *quid pro quo* for some assistance from

⁸³ Palmer, *On Course to Desert Storm*, 77.

⁸⁴ Klare, *American Arms Supermarket*, 116.

⁸⁵ Lenczowski, *American Presidents and the Middle East*, 118.

the Shah during the 1972 election; Alam's diary (p. 233) for July 1972 records a request from Nixon whose import is such that Alam refuses to divulge it "for fear that it would irreparably damage relations." If so, it lends credence to my belief that the Shah had the unconditional political and economic backing of the U.S. government with regard to both his oil machinations and weapons purchases. Interestingly, in August of that year Northrop's president, Tom Jones, made \$150,000 in illegal contributions to Nixon's reelection campaign; Lockheed had been pressured to do so but refused.⁸⁶ As Henry Kissinger relates, Nixon ordered that in the future, Iranian requests should not be second-guessed.⁸⁷ Gary Sick, a military staffer on the National Security Council, describes the effect of this order in a passage which deserves to be quoted in its entirety:

There was no precedent in U.S. history for an order directly from the president to the national security bureaucracy instructing it to rely on the judgment of a foreign leader in making decisions on arms transfers. It will not do to argue seven years later that the directive had no effect. It did. The president's order was unequivocal and comprehensive. It afforded not the smallest loophole for those who questioned the wisdom of a blank check to the shah. There were indeed rear-guard actions within the bureaucracy to attempt to moderate the effects of the decision, but they were largely futile. The order was implemented, with a vengeance.⁸⁸

⁸⁶ Sampson, *The Arms Bazaar*, 271-275.

⁸⁷ Andrew J. Pierre, *The Global Politics of Arms Sales*, 145.

⁸⁸ Gary Sick, *All Fall Down: America's Tragic Encounter With Iran* (New York: Penguin Books, 1986), 22.

As is well-known, and chronicled in numerous sources,⁸⁹ Iranian spending on U.S. arms skyrocketed (see Table 6). Shortly after the Tehran meeting (where President Nixon *personally* told him that he could choose between the F-14 and the F-15),⁹⁰ the Shah ordered 80 F-14s at an estimated cost of \$2 billion, along with dozens of other U.S. weapons systems. Iranian spending on U.S. arms soared from \$500 million in 1972 to \$2.2 billion in 1973 and a staggering \$4.3 billion in 1974.⁹¹ LT Gen Howard M. Fish, director of the Defense Security Assistance Agency, was chief procurement officer in the 1970s, ". . . and in 1977 he boasted publicly that during his tenure in this position he had handled \$36 billion in arms sales. He indicated that sixty congressional bills had been written opposing such sales, and he proudly said that not one had gotten out of committee."⁹²

⁸⁹ See Klare, Chapter 6; Hartung, Chapter 2; or Pierre, pp. 142-156.

⁹⁰ Sampson, *The Arms Bazaar*, 252.

⁹¹ Klare, *American Arms Supermarket*, 116-117.

⁹² Bill, *The Eagle and the Lion*, 213.

TABLE 6⁹³

**Arms Transfer Agreements under the Foreign Military Sales Program
(U.S. \$ million)**

Fiscal Year(s)	Agreements
1950-69	741.2
1970	134.9
1971	363.9
1972	472.6
1973	2,171.4
1974	4,325.4
1975	2,447.1
1976	1,794.5
1977	5,713.8
1978	2,586.9
Total, 1950-78	20,751.7

At this point, one must examine the utility of the arms sales. Did they increase U.S. influence in the region? In the short term the answer must be yes: indeed, to many the Shah appeared to be following the foreign policy interests of the United States rather than those of Iran.⁹⁴ In November 1971, the day before Britain was to give the United Arab Emirates their independence, Iranian Marines used hovercraft to seize Abu Musa and the Tunbs, a group of islands which control the shipping channel through the Strait of Hormuz. This was done with the acquiescence of both the UK and U.S. governments, as the diary of Iran's court minister, Asadollah Alam, shows. In May 1970, the Shah actually threatened the British Ambassador with military conflict if the United Kingdom

⁹³ Klare, *American Arms Supermarket*, 109.

⁹⁴ Pierre, *The Global Politics of Arms Sales*, 151.

supported the United Arab Emirates in its claim for the islands.⁹⁵ These islands had been in dispute between Iran and the Emirates since the 19th century. Hence, the Shah served notice that he was the ultimate force in the region,⁹⁶ able to project power beyond his own border. Since the U.S. saw its interests coincident with Iranian interests, the Shah was given *carte blanche* to indulge his security concerns.

As a stabilizing/containment force in the region, Iran was without peer: as one expert said in the late 1970s, "No Third World state has a record of intervention outside its frontiers comparable with Iran's."⁹⁷ From 1971 to 1976, Iran sent a naval task force, thousands of ground troops, and helicopter gunships to help put down the Dhofar rebellion in Oman. Notably, Great Britain was heavily involved as well, seconding officers to the Omani Army to lead troops against the Dhofari tribesmen. In 1973, a squadron of thirty Iranian Chinook helicopters helped put down a "Communist" rebellion in the Pakistani province of Baluchistan.⁹⁸ In addition, the Shah sent aircraft to South Vietnam and Morocco (although he publicly refused to endorse the U.S. position in

⁹⁵ Asadollah Alam, *The Shah and I*, (London: I. B. Tauris, 1991) pp. 30, 34, 153. The Iranian policy-makers whom I interviewed all vouched for the accuracy of Alam's memoirs, though Parvoz Mina expressed reservations about disclosure of the Shah's sexual peccadilloes.

⁹⁶ Alam, *The Shah and I*, 37; see also *Guardian of the Gulf*, Chapter 9 for a general overview.

⁹⁷ Hartung, *And Weapons for All*, 33.

⁹⁸ Jonathan Kwitny, *Endless Enemies* (New York: Penguin Books, 1984), 199-204.

Vietnam),⁹⁹ as well as troops to Zaire to help President Mobutu suppress rebellion in the Shaba province.¹⁰⁰ These all served U.S. interests as well as Iran's, by either supporting U.S. proxies in other regions or by maintaining stability (i.e., Western influence) in the Gulf. At the same time, Iranian support for Kurdish insurgents in Iraq helped destabilize Saddam Hussein's regime,¹⁰¹ another plus for the United States.

One could argue that all of Iran's interventions in the 1970s were the result of selfish national interests, and that U.S. arms sales did not sway the Shah's policy. In a sense the argument is sound: for instance, the Shah's desire to put an Iranian naval flotilla in the Indian Ocean was a direct attempt to protect Iranian oil, 100 percent of which was transported by ship. With the arrival of Soviet shipping in the region, and the Shah's explicit argument against a U.S. presence in the Gulf, he needed to be able to back up his position. But Iranian self-interest worked in the U.S. favor; this can be seen in a comparison of U.S. Navy steaming hours in the Indian Ocean (see Figure 6). In 1976, with the Shah in power, only 3 percent of U.S. aircraft carriers were deployed to the Indian Ocean; by 1980, after the invasion of Afghanistan and the Iranian revolution, this figure had increased to 50 percent. The number of carrier ship-days in the region increased from 19 in 1976 to 836 in 1980. The cost of Iran's revolution to the U.S. Navy in manpower, maintenance and logistics was (and remains) enormous; a rule of thumb is

⁹⁹ Alam, *The Shah and I*, 215.

¹⁰⁰ Hartung, *And Weapons for All*, 33.

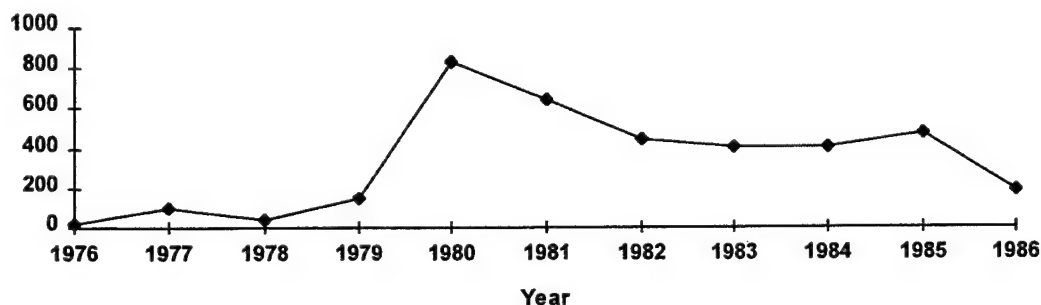
¹⁰¹ Alam, *The Shah and I*, 230-231.

that it takes four ships to support the deployment of one: essentially, the rise in ship-days in the Indian Ocean region cost the U.S. Navy about three times that much in maintenance, etc. It was indeed economical and bloodless to utilize Iran as proxy; in fact, Iran in the early 1970s is probably the single best argument for the surrogate strategy.

Figure 6¹⁰²

U.S. Ship-Days: Indian Ocean Region

Carrier Ship Days



B. CONSPIRACY, N'EST-CE PAS?

The second U.S. imperative, access to oil, is somewhat more problematic. Since the Nixon Doctrine was a premeditated policy to arm the Shah of Iran, a mechanism was necessary to implement the policy. Considering that 90 percent of Iranian government revenues came from oil sales, the primary factor which allowed Iran to assume its role as

¹⁰² Michael A. Palmer, *On Course to Desert Storm* (Washington, DC: Naval Historical Center, 1992), 97.

U.S. surrogate in the Persian Gulf was a precipitous rise in oil revenues from 1971 to 1974.

It is necessary to examine U.S. energy policy and the changes in world oil supply patterns which not only made oil price increases possible but practically pre-ordained; this examination will clarify how the Nixon Administration could manipulate oil prices to benefit OPEC (specifically Iran and Saudi Arabia) while disavowing any knowledge of or participation in any such activity.

In 1938 (the year oil was discovered in Saudi Arabia), the United States produced 62 percent of the world's oil.¹⁰³ After the Second World War, energy consumption patterns began to change both in regard to sources and demand.

The post-war conversion from coal to oil, especially in Europe, was hastened by a combination of coal shortages (due to miners strikes or overly large demand, especially in colder-than-average winters), concern about pollution resulting from coal burning, and the increasing cost of coal *vis a vis* oil.

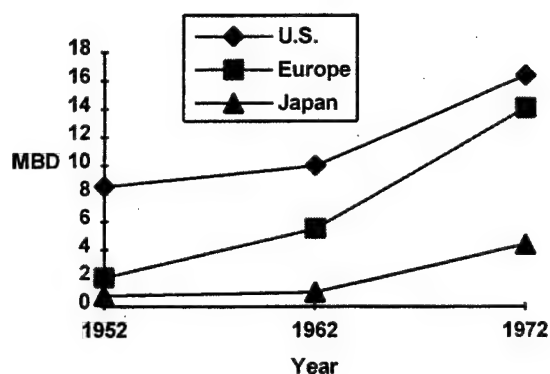
More important, of course, was the trend toward higher worldwide demand. As Figure 7 shows, worldwide demand in 1948 was 5.8 million barrels per day (MBD) in the United States, 970,000 barrels per day in Europe and 32,000 in Japan; by 1972, those figures had tripled to 16.4 MBD in the United States, while demand in Europe increased 15 times over to 14.1 MBD; Japan's growth in demand was nothing less than spectacular,

¹⁰³ James A. Noyes, *The Clouded Lens : Persian Gulf Security and US Policy* (Stanford: Hoover Institution Press, 1982), 47.

increasing 137 times over to 4.4 MBD.¹⁰⁴ In fact, in the early 1950's, oil provided less energy to Japan than firewood.¹⁰⁵ Part of this worldwide growth in consumption can be explained by the explosive growth of the automobile: ownership in the United States rose from 45 million autos in 1948 to 119 million by 1972. The figures from outside the United States were greater. Numbers rose from 18.9 million in 1948 to 161 million.¹⁰⁶

FIGURE 7¹⁰⁷

World Oil Consumption, 1952-1972



The change in consumption patterns was accompanied by a diversification of the oil industry: immediately after the Second World War there were only nine oil

¹⁰⁴ Daniel Yergin *The Prize: The Epic Quest for Oil, Money & Power* (New York, NY: Simon & Schuster), 541.

¹⁰⁵ Yergin, *The Prize*, 545.

¹⁰⁶ Yergin, *The Prize*, 542.

¹⁰⁷ Yergin, *The Prize*, 541.

companies operating in the Middle East; by 1956, nineteen; and by 1970 there were 81. Further, between 1953 and 1972, more than 350 other companies had either entered or expanded operations in the foreign oil industry.¹⁰⁸ This expansion resulted in a decrease in profitability, as well as a drop in prices for Middle East oil. As early as 1949, independent oilmen in the United States were complaining about the threat of being undercut by imported oil.

By the mid-fifties, oil from abroad had overcome the transportation costs plus the modest import duty of 10 cents a barrel and was underselling U.S. oil not only on the Eastern seaboard but as far inland as western Pennsylvania. Compared to their 1953-56 average, the rates of return for the leading sellers in the Eastern part of the country had by 1957 begun to fall; and by 1958, they had dropped 45 percent in the case of Mobil and Shell, 43 percent for Exxon, and 33 percent for ARCO.¹⁰⁹

By 1954, foreign imports equaled 15 percent of domestic production, and by 1957, 19 percent. Texas oilmen fiercely lobbied for protection from foreign oil; President Eisenhower demurred, convinced that use of cheaper imported oil was not only good for consumers but also important for the national security; Secretary of State Dulles maintained that this policy ensured a healthy U.S. reserve of oil in case of emergency.

Finally, the recession of 1958, and congressional pressure from Speaker of the

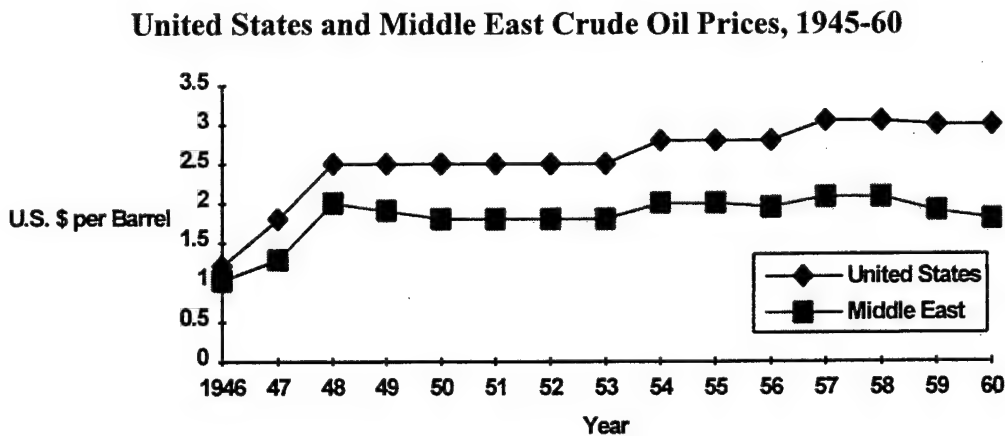
¹⁰⁸ Yergin, *The Prize*, 531-532.

¹⁰⁹ Blair, *The Control of Oil*, 170.

House Sam Rayburn and Senate Majority Leader Lyndon Johnson forced Eisenhower to impose mandatory quotas on oil imports to the United States.¹¹⁰

Figure 8 shows the relative price of U.S. and Middle Eastern oil from 1945-1960. As the graph shows, once exploration started in earnest, prices for Middle East crude dropped while U.S. prices remained stagnant. In fact, the average price of U.S. oil at the wellhead went from \$2.90 a barrel in 1959 to only \$2.94 a barrel in 1968; throughout the 1960s, Middle East crude was generally 60-70 percent cheaper than Texas crude.¹¹¹

FIGURE 8¹¹²



The unintended consequence of this policy was to force U.S. industries into using expensive American oil, while Japan and Europe experienced much of their economic

¹¹⁰ Yergin, *The Prize*, 537-538.

¹¹¹ Yergin, *The Prize*, 539.

¹¹² Blair, *The Control of Oil*, 117.

renaissance due to their competitive advantage in utilizing the cheaper Middle East oil. This competitive advantage was to figure in Henry Kissinger's later calculations regarding Middle East oil; in his view, a large price increase would inevitably favor the United States over Western Europe and Japan.¹¹³

The economic boom of the 1950s and 1960s (fueled by cheap and accessible oil) gave way to a decided shift in world oil patterns by about 1970. Essentially, the United States ran out of surplus capacity: From 1957 to 1963, U.S. surplus stood at 4 MBD, but by 1970 it had fallen to no more than 1 MBD¹¹⁴ and dropped about 2 percent annually, until by 1975 it had dropped another 13 percent.¹¹⁵

Further, American oil production reached its all-time peak of 11.3 MBD by 1970; in March of the following year, for the first time in decades, the Texas Railroad Commission (which controlled oil production in the state) allowed all-out production at 100 percent of capacity. The commission's chairman called the occasion, "Damned historic, and a sad one."¹¹⁶ This was no surprise: as early as 1968, the State Department had warned European nations of such a contingency.¹¹⁷

The rise in demand as well as the limitations of U.S. production brought a rise in

¹¹³ Telephone interview with Ambassador James Akins, 3 October 1997.

¹¹⁴ Yergin, *The Prize*, 567.

¹¹⁵ Blair, *The Control of Oil*, 276.

¹¹⁶ Yergin, *The Prize*, 567.

¹¹⁷ Yergin, *The Prize*, 568.

oil imports: from 2.2 MBD (19 percent of U.S. oil consumption) in 1967, oil imports to the United States rose to 6.6 MBD in 1973, about 36 percent of U.S. oil consumption.¹¹⁸ The 1973 oil embargo, however, created a different dynamic between the United States and the oil states.

The embargo, which resulted in a disruption of only five percent of U.S. oil imports, created a well-known shock to the economic system. Prices rose from \$3 a barrel to \$11 a barrel for crude oil, and military options were actually considered to maintain oil flows. Some argue that the embargo indicates that arms sales to Saudi Arabia and Iran did not effect policy, and in fact merely armed those who later used oil as a weapon against the United States. Michael Palmer, a naval historian, views the Iranian response differently. His explanation deserves full quotation:

The absence of port facilities handicapped American naval operations in the Indian Ocean basin, but the [1973-1974] Arab oil embargo threatened to disrupt the operations of the U.S. Navy in the Indian Ocean, the Mediterranean, and the Western Pacific. The navy found itself relying on Iranian sources of supply. The shah personally directed the Iranian National Oil Company to divert fuel to the Iranian Imperial Navy, which, in turn, transferred the fuel to the U.S. Navy. The shah's assistance allowed the American navy to continue to operate in the Indian Ocean, a development that many viewed at the time, and continue to view, as a vindication of the Nixon administration's decision to rely on the shah.¹¹⁹

Michael Klare sees the oil embargo as a perverse win-win game in which the rise

¹¹⁸ Yergin, *The Prize*, 567.

¹¹⁹ Palmer, *On Course to Desert Storm*, 99.

in oil prices forced the U.S. to sell arms in order to maintain a viable balance of payments with newly-rich Iran.¹²⁰

An even more interesting theory is whispered by William Hartung but fairly shouted by Jonathan Kwitny, a renowned investigative reporter and harsh critic of U.S. foreign policy. His evidence shows that the embargo was merely part of a larger pattern whose timetable coincides with Nixon's foreign policy *vis a vis* Iran and Saudi Arabia. Kwitny says that a strong case can be made that the oil price rise was a product of U.S. foreign policy: that the embargo was merely a part of ongoing U.S. strategy to allow Iran to purchase U.S. arms, keeping both the military industrial complex in business and acting as a speedbump to Soviet incursions toward the Gulf; and that the U.S. government allowed oil prices to rise in order to provide Iran with the revenue to pursue U.S. interests in the Gulf. "OPEC had been around since 1960; therefore, why had such a long time passed before someone got it into his head to exploit their potential power? Whose idea was it to exploit OPEC? And why did the U.S. and other consuming countries, so determined over many decades to control Middle Eastern oil, suddenly cave in with so little resistance?" Surely, says Klare, not because Kissinger was a softy.¹²¹

The genesis of the oil price rise began in late 1968. The large military outlay which the Shah insisted upon for the fiscal year 21 March 1969-21 March 1970 put great

¹²⁰ Klare, *American Arms Supermarket*, 118-119.

¹²¹ Kwitny, *Endless Enemies*, 190-195.

pressure on the government's budget: so much so that indirect taxes had to be increased. Further, water prices were increased by 70 percent, while both businesses and the universities faced financial crises.¹²² It was recognized, however, that despite these measures, the deficit could only be made good by generating higher oil revenues.¹²³

Consequently, the Shah met in Zurich with representatives of the Iranian Oil Consortium (described below) and demanded a 10 percent increase in production; this would have guaranteed Iran \$1 billion in revenues. The consortium countered with a 4.5 percent increase (revenues of \$900 million for the year), which the U.S. Ambassador admitted was "simply inadequate."¹²⁴ At the same time, however, the ambassador also made known his fears that if Iran took unilateral action in raising oil production, other Middle Eastern countries might follow, and advised against such a move. This would be one of the last times that U.S. policy would follow such a line.

The talks in Zurich were inconclusive (although the consortium finally agreed to accommodate the Shah in mid-1969); the Shah was arguing from a position of weakness:

¹²² Alam, *The Shah and I*, 39.

¹²³ Alam, *The Shah and I*, 35n.

¹²⁴ Alam, *The Shah and I*, 34. The American Ambassador, a career State Department official named Armin Meyer, was replaced by Douglas MacArthur (the general's nephew and a Nixon appointee) in October 1969. MacArthur has been described as "more Persian than the Persians." This sympathy would later play a deciding role during the Irwin mission in 1971.

not only was the treasury empty,¹²⁵ but the consortium had a much greater interest in maintaining or increasing production in other Gulf states.

As shown by the table, nearly all of the members of the Iranian Oil Consortium owned a greater share in either Kuwaiti or Saudi oil than they did in Iranian oil: this was especially true of U.S. companies; since reserves in Kuwait and Saudi Arabia were larger and production costs lower, there was no overriding motive to increase Iranian production over other Gulf production since profits would actually be lower for Iranian oil. The consortium's unwillingness to exploit Iranian oil had been a complaint of the Shah's for some time previously, and would reappear in later negotiations.

TABLE 7¹²⁶

Distribution of Oil Shares in the Persian Gulf

Company	Shares in Iranian Oil Consortium (%)	Shares in Kuwait Oil Company (%)	Shares in Aramco (%)
British Petroleum	40	50	
Royal Dutch-Shell	14		
Compagnie Française des Pétroles	6		
Standard Oil (Exxon)	7		30
Socony Mobil Oil	7		10
Standard Oil (California)	7		30
Gulf Oil	7	50	
Texas Oil Company (Texaco)	7		30
Iricom*	5		

*An agency made up of nine separate American companies, each holding between 0.4 percent and 1.25 percent of the Consortium's shares.

¹²⁵ Alam, *The Shah and I*, 37.

¹²⁶ Alam, *The Shah and I*, 30.

This point should be borne in mind when considering the "Twin Pillars" strategy: since Saudi production and Iranian production were linked by the "Average Program Quantity" (a forecast governing output for the year), and American companies in Aramco had the deciding votes in the Iranian Consortium (based on a rather complex computation schedule), it would be known that no matter what Iranian oil did, Saudi oil would be pegged to its production rate, and always a little higher.¹²⁷ *Thus, if prices were to rise, rather than production, the Aramco companies would profit from a deal with Iran, and might actually support one.*

Reflecting Iran's financial crisis, during the Shah's first meeting with President Nixon in April 1969, he discussed several desperate schemes with the President. First was a project for the U.S. government to buy Iranian oil and stockpile it underground as a strategic reserve; next, the Shah suggested that Iran barter any oil over the 12.5 percent import quota for American goods and services. The Shah had seemingly discussed such arrangements informally with U.S. companies, as he mentioned several by name who could act as his partner;¹²⁸ when none of these suggestions stirred the President, the Shah intimated that Iran would ". . . prefer to remain independent of Soviet influence,"¹²⁹ but might not be able to.

Interestingly, in that same month Armand Hammer, president of the independent

¹²⁷ Blair, *The Control of Oil*, 105-108.

¹²⁸ Alam, *The Shah and I*, 49-50.

¹²⁹ Alam, *The Shah and I*, 49-50.

oil company Occidental Petroleum, declared in a private meeting with the Shah's court minister that he would market at cost any quantity of oil that Iran could obtain, or operate any portion of the agreement area that Iran might take back from the consortium due to under-exploitation.¹³⁰ This not only gave Iran a fallback position (albeit small) but illustrates the cutthroat competition between independent oil companies like Occidental and the larger oil companies such as Exxon and Shell (hereafter called "the majors"). This competition would later facilitate Nixon administration policy in the Gulf.

Another scheme upon which Iran fixed its hopes to raise oil production was that of Kurdish rebellion; it was believed that after Kurds had sabotaged pipelines around Mosul and Kirkuk, the oil companies would criticize the substandard Iraqi security and switch Iraqi production targets to Iran.¹³¹ This idea, like the others, seems to have died a quiet death, however. Further, an official from the National Iranian Oil Company (NIOC) suggested that Iran, on its own initiative, stockpile oil on U.S. soil, and entitle the United States to draw upon it simply by increasing Iran's production quota. The Shah's need for increased production is evident; note that none of these plans included a request to increase prices: at the time this idea seemed beyond the pale.

Upon the Consortium's agreement to a compromise in May of 1969, the Shah was

¹³⁰ Alam, *The Shah and I*, 55. One of the Shah's threats was to reduce the consortium's oil concession area and begin oil production operations in the heretofore "fallow areas" himself.

¹³¹ Alam, *The Shah and I*, 39.

able to plan an oil income of around \$1.01 billion, of which about \$80 million was an advance loan on production from the consortium.¹³²

Therefore, a comparison can be made: already, the 1970 defense budget was \$880 million, on oil revenues of only \$1.01 billion. Obviously, this rate of spending would be unsustainable for Iran. The Shah recognized this; as early as October 1969, he floated a plan to the Senate Foreign Relations Committee under which Iran would allocate a \$100 million oil quota for the U.S. in exchange for arms.¹³³ The Shah argued that Iran wanted the means to be self-sufficient; that Iran was forced to buy weapons on the open market and wished to buy American; and ominously, that the United States already relied on imported oil. Finally, he guaranteed that in exchange for an oil quota, every cent of the oil income would be spent in the United States. Further, Iran informed the U.S. Ambassador that it planned to purchase \$800 million in U.S. arms, \$200 million from the UK. and \$200 million from the USSR. Concerned that it would turn elsewhere for assistance,¹³⁴ the United States needed a plan to keep Iran in the fold. Could the oil price explosion have resulted from such a plan, conceived or agreed to by the U.S. government, to arm the Islamic oil countries?¹³⁵

¹³² Alam, *The Shah and I*, 61.

¹³³ Shahram Chubin and Sepehr Zabih, *The Foreign Relations of Iran* (Berkeley: University of California Press, 1974), 110-111.

¹³⁴ Alam, *The Shah and I*, 136.

¹³⁵ Kwitny, *Endless Enemies*, 191. Interestingly, sources differ on the Shah's role. Pierre calls him a "price hawk" (p. 150) while Lenczowski touts the Shah's refusal to join the oil embargo (p. 185).

The impetus for this plan came in September 1969, after Muammar Qaddafi's coup in Libya. In January 1970, after expelling the U.S. and British militaries, Qaddafi demanded a 43-cent per barrel increase in the price of Libyan oil; he warned the twenty-one oil companies in Libya that he would shut down production to get it. "People who have lived without oil for 5000 years can live without it again," he threatened.¹³⁶

Libya supplied 30 percent of Europe's oil. With the Suez Canal closed (making it cheaper to transport Libyan oil across the Mediterranean), a pipeline rupture in Saudi Arabia that spring, and the resultant tripling of tanker rates from the Gulf, Libya bargained from a strong position. Despite this, it was rebuffed by the majors, so turned its attention on Armand Hammer's Occidental, ordering the company to cut production from 800,000 barrels per day to 500,000.¹³⁷

Hammer attempted to find other companies to help him in his struggle against Qaddafi. Because the majors had a small stake in Libya (by design - King Idris had not trusted them),¹³⁸ the Libyan demands on Occidental served to increase prices for the independent dealers and thereby help the majors. Occidental asked Exxon for a guarantee: it would stand up to Qaddafi if Exxon would supply Occidental with oil at cost until the Libyan situation was resolved. Exxon, which for several years had seen itself underpriced in the marketplace by up to 10 percent a gallon by Occidental,

¹³⁶ Yergin, *The Prize*, 578.

¹³⁷ Yergin, *The Prize*, 578.

¹³⁸ Kwitny, *Endless Enemies*, 192.

refused.¹³⁹ A month later, in August, Occidental's output was reduced to 440,000 barrels per day. At this point, desperate for oil, Hammer traversed the globe looking for suppliers; one of his more imaginative ideas was his attempt to put together a barter deal whereby he would be the middleman in trading McDonnell Douglas warplanes for Iranian oil.¹⁴⁰ In September 1970, Occidental capitulated, agreeing to an immediate price increase of thirty cents a barrel, rising in five years to forty cents. Within months the other companies in Libya capitulated as well.¹⁴¹

Electrified by the Libyan success, the Shah demanded (and received) concessions from the Iranian Consortium; in November 1970, the old profit-sharing formula (50 percent for the consortium, 50 percent for Iran) was changed to one giving Iran 55 percent of profits.¹⁴² Less than two weeks later, the Shah was making plans to buy "many more aircraft" and three destroyers, as well as taking control of an unnamed airbase on U.S. soil (all at Iranian expense) as a training school for Iranian pilots.¹⁴³ He was also making plans to demand new concessions at OPEC's Tehran meeting scheduled for early 1971.

¹³⁹ Kwitny, *Endless Enemies*, 193.

¹⁴⁰ Yergin, *The Prize*, 579.

¹⁴¹ Blair, *Control of Oil*, 222-223.

¹⁴² Alam, *The Shah and I*, 173.

¹⁴³ Alam, *The Shah and I*, 175.

C. THE UNITED STATES OPENS THE DOOR: THE IRWIN MISSION

The oil companies, led by Shell Oil, decided that the only way to confront OPEC was with a united front; they feared that individual negotiations would merely allow OPEC to defeat the oil companies piecemeal. The first order of business was to get State Department and Justice Department approval for this action. This was not a new idea. The issue of anti-trust actions had shadowed the multinational companies' relations with the U.S. government since 1953, based primarily on the oil companies' desire to negotiate *en bloc*. Interestingly, throughout this time John J. McCloy, legal counsel for the seven majors, had held informal discussions with every Attorney General since Robert Kennedy preparing for the contingency of oil producing states escalating their demands on the companies.¹⁴⁴ In early January, the group of 23 oil companies was granted a "Business Review" letter signed by an Assistant Attorney General, which granted them *de facto* anti-trust exemptions, though only Congress could grant *de jure* exemptions. This was the first sign of an attempt by the executive branch to keep Congress in the dark regarding its surrogate policy in the Persian Gulf.

Afterward, again with U.S. government blessing, the bloc released its Libyan Producers Agreement, which stated that the oil companies had:

... concluded that we cannot further negotiate development of claims by member countries of OPEC on any other basis than one which reaches a settlement *simultaneously with all producing governments concerned*. It is, therefore, our

¹⁴⁴ Mira Wilkins, "The Oil Companies in Perspective", *Daedalus* 104:4 (Fall 1975), 166.

proposal that an *all-embracing* negotiation should be commenced between representatives of ourselves, together with such other oil companies as wish to be associated with this proposal on the one hand, and OPEC, as representing all its member countries on the other hand, under which an *overall and durable* settlement could be achieved.¹⁴⁵

Further, the independents insisted upon, and received, the same deal from the majors which Exxon had refused Occidental only months before. Called the "Safety Net Agreement," it stated that:

If a company were cut back or nationalized in Libya and its oil exports seized, the other Libyan companies would bear a percentage of that prorated according to their production. To share this burden equitably with the Persian Gulf producers, the Libyan group could in turn get oil to meet what they have given to the person who was shut back in Libya; they could get fall-back oil, if you will, from the gulf producing states where there was excess of capacity at that point in time.¹⁴⁶

Had the industry backed Occidental this way earlier, things may have turned out differently.

OPEC was scheduled to meet in Tehran in late January 1971, to discuss further price increases, and the oil industry wished to preempt this. Therefore, the oil industry suggested that an emissary from the President of the United States, someone "with

¹⁴⁵ Blair, *Control of Oil*, 224.

¹⁴⁶ "How OPEC Came to Power", *Forbes Magazine* (April 15, 1976), 72.

dignity, with clout" travel to Tehran and explain that the oil companies had the President's support for their stance.¹⁴⁷

On 16 January 1971, the oil companies' message was delivered to both OPEC headquarters in Vienna and to the Shah; that same day, U.S. Undersecretary of State John Irwin began his Middle Eastern trip, the purpose of which was to express high level official support for the message from the U.S. oil bloc to OPEC and the joint negotiation strategy behind it.¹⁴⁸

James Akins, a senior energy expert in the State Department (and subsequently Ambassador to Saudi Arabia) later claimed that the OPEC demands, "while alarming" were "an economic matter which would not traditionally have engaged the American government." Libya's threats to cut off oil ". . . brought the Department of State inevitably into an active and public role."¹⁴⁹ This seems specious given that Qaddafi had made these same threats a year earlier, with a deafening silence from the State Department. Could this sudden interest have killed two birds with one stone,¹⁵⁰ allowing the United States to appear that it was holding the line on oil prices while sending an emissary to secretly tell Iran just the opposite?

¹⁴⁷ *Forbes*, 172.

¹⁴⁸ Blair, *The Control of Oil*, 225.

¹⁴⁹ James E. Akins, "The Oil Crisis: This Time the Wolf is Here," *Foreign Affairs* 51 (April 1973), 473.

¹⁵⁰ Alam, *The Shah and I*, 191.

The evidence suggests as much. On 13 January, the Iran Consortium's representatives arrived to discuss oil pricing with the Gulf-only members of OPEC but suddenly cut discussions off, "clearly worrying"¹⁵¹ the Shah. This suggests that the oil companies knew that they had U.S. government support and were merely waiting for the formal anti-trust approval. On 16 January, the Shah received the oil companies' proposals (generally a five-year agreement on prices) which the nervous Shah (in consultation with his finance minister, Jamshid Amouzegar) was prepared to accept.¹⁵²

After this, the Shah learned of John Irwin's imminent arrival in Tehran,¹⁵³ so it appears that prior to Irwin's arrival, Iran was willing to negotiate a "separate peace" on the oil bloc's terms. Further, the Shah invited the UK. Ambassador to send the British oil delegates early to discuss a Gulf agreement prior to the all-OPEC meeting in Tehran on 23 January. An interview with Manucher Farmanfarmaian, a director of the National Iranian Oil Company for fifteen years (and later Iran's Ambassador to Peru and Venezuela), seems to confirm the import of Irwin's visit. "Prior to 1971, we thought that if Iran needed more money, we would insist on a rise in production. It was the U.S. party's [Irwin] idea to increase oil prices. In a conversation with Amouzegar at his home in 1972, I asked him what made the OPEC victory possible. He told me that once they

¹⁵¹ Alam, *The Shah and I*, 192.

¹⁵² Alam, *The Shah and I*, 192. This contradicts the Forbes article p. 72, which claims that Amouzegar "promptly rejected" the oil companies' offer.

¹⁵³ Alam, *The Shah and I*, 192.

[Amouzegar and the Shah] discovered that the companies could not bargain as a bloc, it was easy to raise prices."

Furthermore, Farmanfarmaian added, "with cheap oil, Japan and Europe had given harsh competition to the United States. There was a rumor that the United States wanted to subdue Japan and Europe on that ground [i.e., by raising the price they paid for Middle East crude]."¹⁵⁴

Iran's strategy was simple: negotiate on Iran's behalf, get a deal favorable to Iran, then disavow the demands of such radical states as Algeria and Libya.

The oil companies scheduled a meeting of their representatives, Exxon Senior Vice President George T. Piercy and British Petroleum Director Lord Strathalmond, with the Shah on 19 January. They had good reason to believe that Irwin, who was scheduled to meet the Shah on 18 January "... was going to assert - in however covert a form - the support of the President of the [United States] for [a united front]."¹⁵⁵

The 18 January meeting between Irwin and the Shah went differently than anticipated. Accompanied by MacArthur, the U.S. Ambassador, and Amouzegar, the finance minister, the Shah and Irwin discussed the oil situation for two hours.

In the meeting, Irwin was seemingly "overwhelmed"¹⁵⁶ by the Shah. Sent "...

¹⁵⁴ Telephone interview with Manucher Farmanfarmaian at his home in Caracas, Venezuela, 5 November 1997.

¹⁵⁵ *Forbes*, 74.

¹⁵⁶ *Forbes*, 74.

ostensibly to provide the companies with support . . . he effectively undercut the oil companies' unified front."¹⁵⁷ In later testimony to a Senate subcommittee, Irwin stated,

I made it clear that the U.S. Government was not in the oil business and did not intend to become involved in the details of the producing countries' negotiations with the oil companies. I stressed, *not* the negotiations, but the strategic and economic impact on the Free World - of which they were a part - that a cut or halt in production would have. The basic mission was to stress the importance . . . of not halting production or cutting production.¹⁵⁸

In essence, he left the impression that the U.S. government would accept separate negotiations, and perhaps even price increases as long as oil flows were maintained.

Interestingly, Irwin "decided" not to deliver President Nixon's personal letter to the Shah, fearing that the contents might offend him.¹⁵⁹ This leads to a question: was Irwin truly doing the President's bidding? Or had he received other instructions, perhaps from Kissinger? As Ambassador James Akins related in a personal interview with the author, "The Shah had a seductive personality. Kissinger was not skeptical of him; he had been seduced. Nixon, however, was skeptical."¹⁶⁰ How else does one explain a relatively junior emissary's failure to deliver a personal missive from the President of the United States to a monarch?

¹⁵⁷ Wilkins, "The Oil Companies . . .", 167.

¹⁵⁸ *Forbes*, 74.

¹⁵⁹ *Forbes*, 74.

¹⁶⁰ Telephone interview with Ambassador Akins, 3 October 1997.

Further, Irwin did not wait to talk to the oil company representatives about his meeting with the Shah, but immediately cabled the State Department with his recommendations: that the companies should open discussions and conduct separate, parallel negotiations.¹⁶¹ He then left for Kuwait and Saudi Arabia, leaving MacArthur to debrief the oil representatives.

MacArthur's debrief of the meeting to the oil representatives was rather different from the truth; in fact an uncharitable person would say that Ambassador MacArthur lied brazenly. First, the representatives were dismayed by the State Department's *volte-face*; to explain this away, MacArthur "left the impression" that the Shah had called the united bloc "a dirty trick" and threatened that the "... entire Gulf would be shut down and no oil would flow."¹⁶²

The next day (20 January 1971), MacArthur conceded "... that Amouzegar may have said that to him in private, and that in their talks with the Shah neither the Gulf-only approach nor the subject of a shutdown ever came up. MacArthur now claimed that the Shah had argued that a collective approach would be a 'monumental error,' that the radical demands were likely to be the ones that prevailed in such circumstances."¹⁶³

Even this story is open to doubt: "Irwin and Akins [and presumably MacArthur] never even bothered to tell the negotiators that the Shah was not threatening to interrupt

¹⁶¹ Wilkins, "The Oil Companies . . .", 168.

¹⁶² *Forbes*, 74.

¹⁶³ *Forbes*, 74.

supply if they insisted on joint negotiations - Piercy for one did not learn it until *Forbes* brought it to his attention [in Spring 1976]. Piercy says, 'We took them very seriously.'"¹⁶⁴

Faced with this last-minute reversal in strategy and without government support, the oil companies finally agreed to conduct separate negotiations, though some saw this as a disastrous turning point. An interview with Mr. Parvoz Mina, a member of the National Iranian Oil Company's technical committee and party to the 1971 Tehran negotiations, finds that he agrees. "The Irwin mission told the Shah that oil prices could rise; that the West could tolerate some increase in prices." In fact, this changed the Shah's strategy for increasing revenue. Prior to this, "the Shah put pressure on companies to increase production. He thought an oil price increase was simply too difficult. [After the meeting with Irwin], the Shah thought - 'if the United States is favorable, this is the best occasion to do it.' This was what caused the Shah to take the leadership at the Tehran conference."¹⁶⁵

Interestingly, in the earlier meetings between the Shah and the oil companies (presumably on 13 January 1971, though Mina could not recall exactly), the oil representatives had actually threatened the Shah that "if he went along with OPEC,

¹⁶⁴ *Forbes*, 76.

¹⁶⁵ Telephone interview with Parvoz Mina, 22 October 1997.

production would fall." This indicates some confidence on the companies' part, that they had the Shah where they wanted him.

Kwitny agrees that there *is* solid evidence that the State Department acted to raise prices independently of the large oil companies.

It is hard to avoid the conclusion that the State Department was, in effect, sacrificing economics to politics. U.S. politicians were prepared to have U.S. motorists and businessmen - and those in the rest of the world - pay a bit more for oil in order to help the Shah of Iran and the Saudis [further U.S. interests]. . . . The State Department realized full well that they could not persuade Congress to tax Americans for that purpose. So they did it by the back door.¹⁶⁶

Therefore, in order to arm Iran, oil flows were maintained, but at great cost to both the United States and its allies. Hartung broadens this connection: "Former U.S. ambassador to Saudi Arabia James Akins has indicated that the arms-for-oil connection went a step further, suggesting that Henry Kissinger may have actively encouraged the shah to press for increased oil prices as a way to fund his purchases of U.S. armaments under the Nixon Doctrine."¹⁶⁷ In a personal interview, Ambassador Akins confirmed this: "Early in the administration, Kissinger decided to use the Shah (as a surrogate). Kissinger pushed for an oil price increase to advance the Shah's interests."¹⁶⁸

Afterwards, there was little to do but give in to OPEC's demands, in exchange for

¹⁶⁶ Kwitny, *Endless Enemies*, 194.

¹⁶⁷ Hartung, *And Weapons for All*, 30.

¹⁶⁸ Telephone interview with Ambassador Akins, 3 October 1997.

the promise of stability. The companies began by offering a \$3 billion increase to the Gulf states over five years, while the Gulf states countered with \$20 billion. The final agreement was for a \$10 billion package over five years, roughly a twenty cents a barrel increase.¹⁶⁹

It is important to realize that the oil companies profited very little from price increases under the Tehran agreement (as opposed to the 1973-74 increases); in fact, "... the companies bargained vigorously against increases in posted prices so long as they were attached to a formula permanently committing them to pay large sums to the host governments."¹⁷⁰ Further, this bargain for stability was fraught with peril: as Ahmed Zaki Yamani, the Saudi Oil Minister told George Piercy, "If the oil companies thought they were buying stability, they were deluding themselves."¹⁷¹

What was the role of the U.S. government and the Nixon administration regarding this abrupt change in U.S. energy policy? The Senate Foreign Relations Committee asked much the same question in its hearings on multinational oil corporations. In Senator Church's words:

Well, now, we have a picture then of our Government first having through waiver of the Antitrust Act permitted the companies to join together for a common negotiation. Then a subsequent reversal, apparently, which led to the dissolution of that effort to maintain a united front.

What accounts . . . for this reversal that took place? I

¹⁶⁹ Blair, *The Control of Oil*, 226.

¹⁷⁰ *Forbes*, 82.

¹⁷¹ *Forbes*, 82.

mean after all, the waiver had been granted to let them all join together in one common negotiation and then subsequently the American Ambassador in Iran indicates that the American government would support breaking up the negotiations. Why? Why did the position of the American government change?¹⁷²

Senator Church later answered his own question, positing that, "There must have been . . . some consideration for the bilateral relations between the United States and Iran."¹⁷³

The effect was nearly immediate. From a nation which had begun running substantial balance of payments deficits by 1969 and by 1970 had had to borrow money overseas merely to finance its budget,¹⁷⁴ Iran got an immediate 30 percent revenue increase, as well as a promise of future price increases and an inflation-indexed price scale. Table 8 show the change in oil revenues for Kuwait, Iran and Saudi Arabia from 1960-1974. Table 8-1 shows oil exports in comparison.

TABLE 8¹⁷⁵

Government Oil Revenues (U.S. \$ million)

	1970	1971	1972
Saudi Arabia	1,200	2,149	3,107
Kuwait	895	1,400	1,657
Iran	1,136	1,944	2,380

¹⁷² Blair, *The Control of Oil*, 226-227.

¹⁷³ *Forbes*, 82.

¹⁷⁴ *Forbes*, 83.

¹⁷⁵ *Daedalus* 104:4 (Fall 1975), Appendix B, 288. Table 8-1 is from the same source.

TABLE 8-1

Oil Exports (millions of barrels)

	1970	1971	1972
Saudi Arabia	1,359	1,707	2,163
Kuwait	1,082	1,169	1,176
Iran	1,318	1,562	1,752

In view of the available evidence, the contention that arms transfers to the Shah drove oil prices would make sense. The Shah began to order mass quantities of weapons in 1969 (with Nixon's and Kissinger's blessings), in fact so many that he had to impose a special tax,¹⁷⁶ prior to any great rise in Iranian oil revenues. The Iranian military budget rose from \$880 million in 1970 to around \$2.2 billion in 1973 and \$4.3 billion in 1974. The vast majority of orders for delivery in 1973/1974 were made in 1971 and 1972. Iran's total oil revenues even in 1973 were only \$6.3 billion.¹⁷⁷ Would anyone in good conscience allow weapons sales to Iran which would total 35-65 percent of the nation's revenues? This does not seem like good politics or good business. The truth seems rather simple: the United States knew, encouraged, and, in my view, instigated Iran's plan to increase oil prices. Only a *casus belli* was needed, and the 1971 Tehran Conference followed closely by the 1973 Arab-Israeli War, provided it. Thereafter, the

¹⁷⁶ Alam, *The Shah and I*; 1969 diary entries constantly discuss budget woes, see especially p. 39.

¹⁷⁷ Klare, *American Arms Supermarket*, 119.

United States could take orders and begin production on new weapons systems, confident that Iran could afford them, and in turn help drive the U.S. unit price down.

Ambassador Akins expands upon this theme, discussing explicit U.S. government involvement with oil price increases. In 1974, Akins was Ambassador to Saudi Arabia.

"Official energy policy was to restrain price increases. Faisal (King Faisal of Saudi Arabia) agreed that prices were going up too far too fast."¹⁷⁸ Alam's diary independently confirms the Saudi view, opposing further price increases. The Shah refused to consider the Saudi position.¹⁷⁹

The king told Akins that, "Saudi Arabia needed Iran and one other OPEC country [probably Kuwait] to get all of OPEC to agree[to price freezes]." Akins reported this to Henry Kissinger, then Secretary of State, but was warned that Kissinger was "annoyed" by Akins' reporting. A State Department official warned Akins ". . . for your own good, Kissinger doesn't like to get these reports." Akins asked for written instructions, i.e., that official energy policy had changed, but never received such confirmation.

King Faisal himself raised the issue with Kissinger, who promised to convey Faisal's concerns to the Shah. The Shah later told Faisal that Kissinger had never mentioned oil prices; "When the Shah continued to raise prices," Akins says, "Faisal

¹⁷⁸ Telephone interview with Ambassador Akins, 3 October 1997: unless otherwise footnoted, this section is based upon Akins' testimony. I have placed his words in quotation marks.

¹⁷⁹ Alam, *The Shah and I*, 392-393.

assumed that the United States wanted oil prices to rise, and was not serious about keeping prices down." Further, both Akins and former Secretary of the Treasury William Simon suggested that if the United States was serious about keeping oil prices down, "... they could have just quit selling arms to Iran."¹⁸⁰

This illustrates high-level government cooperation between the United States and Iran to raise oil prices, despite U.S. policy to the contrary.

An interesting complement to this theory is the complaint that the arms-sales tail began to wag the arms-production dog; that, in essence, production runs would only begin based on Iranian orders of new technologies.

In 1966, the Shah was allowed to purchase the F-4D Phantom, establishing his priority among foreign customers; at this time the Shah's purchase was still approximately four years behind the United States in terms of technology.¹⁸¹ By 1968, Northrop's "ambassador to Iran," Kim Roosevelt, was using the Shah as a quasi-sales agent to dissuade a European consortium from building aircraft in competition with Northrop's planned export fighter.¹⁸² None of this was unusual: most aerospace

¹⁸⁰ Telephone interview with William Simon, 4 November 1997. The abbreviated conversation was supposed to be a precursor to a longer in depth interview. To date, Mr. Simon has not granted the protracted interview.

¹⁸¹ Sampson, *The Arms Bazaar*, 247.

¹⁸² Sampson, *The Arms Bazaar*, 248.

companies had agents in Iran, and Boeing had gone so far as to appoint the Empress Farah's uncle as their agent.¹⁸³

Perhaps the aerospace industry's single greatest beneficiary from the Nixon Doctrine was Grumman; after a succession of relatively unsuccessful forays into the civil sector, by the late-1960s Grumman was hugely dependent on the Pentagon. In 1969, it won the contract for the F-14, the first entirely American fighter built in a decade.¹⁸⁴ One of the last contracts awarded under Total Package Procurement, it nearly bankrupted the company; by 1971, seven F-14s were flying, but cost overruns were \$18 million in 1971, and \$70 million in 1972, all at Grumman's expense. The unit price for the F-14 went up from \$7.3 million to \$11 million; Grumman needed foreign sales merely to stay afloat.¹⁸⁵

By spring 1972, Grumman salesmen were pressuring the White House to allow the Shah classified briefs on the F-14. The well-known Tehran meeting in May 1972 gave Grumman the green light to begin its salesmanship.

Grumman's rival for the lucrative Iran contract was McDonnell-Douglas, which built the US Air Force's new F-15 fighter. Grumman won the contract through a series of ingenious and perhaps underhanded machinations. First, they convinced the Pentagon to support F-14 sales to Iran on the grounds that this would reduce the unit cost to the U.S.

¹⁸³ Sampson, *The Arms Bazaar*, 249.

¹⁸⁴ Sampson, *The Arms Bazaar*, 249.

¹⁸⁵ Sampson, *The Arms Bazaar*, 253.

Navy;¹⁸⁶ next, in a side by side comparison of the F-14 and F-15, Grumman wheeled out a flight-ready prototype and gave an aerobatic demonstration, while the F-15 prototype was merely a static display. Finally, Grumman hired an Iranian lobbyist (who was a great friend of the Iranian Air Force Chief of Staff); the agreed-upon salary for a successful sale was \$89 million.¹⁸⁷ Oddly, this commission was passed on by the U.S. government to Iran as part of the cost of the aircraft.

By August 1973, the Shah had decided to buy the F-14, but the intervening events of the Arab-Israeli War and subsequent oil crisis pushed this issue temporarily out of sight. But in the summer of 1974, with his increased oil revenues, the Shah ordered 80 F-14s, at a cost of \$1.9 billion.¹⁸⁸ The number of aircraft ordered is noteworthy in light of the fact that the United States was projected to have a fleet of only 300.

Unfortunately, Grumman was still in dire financial straits, and could not get the credit to begin work on the Shah's order; further, Congress voted to cut off the \$200 million U.S. Navy loan which had heretofore kept Grumman afloat.¹⁸⁹ Grumman's president was forced to go to the Shah and request help from the state-owned Bank Melli Iran, which put up \$75 million and formed a consortium of nine U.S. banks to give

¹⁸⁶ Sampson, *The Arms Bazaar*, 253.

¹⁸⁷ Sampson, *The Arms Bazaar*, 253.

¹⁸⁸ Steven Lydenberg, *Weapons for the World: The U.S. Corporate Role in International Arms Transfers* (New York, NY: Council on Economic Priorities, 1977), 29.

¹⁸⁹ Sampson, *The Arms Bazaar*, 254.

Grumman a \$200 million loan.¹⁹⁰ In essence, the Shah had become not only Grumman's customer but its banker. This was the Nixon doctrine with a vengeance.

In fact, Grumman's 1976 tax return specifically mentioned deliveries of the F-14 to Iran as the key to its financial success; Foreign Military Sales as a percentage of its Pentagon contracts rose from 6.2 percent in 1974 to over 30 percent in 1976.¹⁹¹

Iran also acted as a weapons clearing house for the United States, especially with regard to aircraft. Northrop, who by 1976 received nearly 27 percent of Foreign Military Sales contracts, built several aircraft specifically for export, notably the F-5A and its successor, the F-5E. In an interesting deal worked out between governments, Iran purchased the new F-5E in exchange for being allowed to re-transfer its F-5As to nations of its choice: thus Ethiopia, Greece, Turkey, Jordan, and Pakistan received up to 50 F-5As apiece from Iran.

Northrop's contract for the F-18 faced similar problems to that of the F-14. The F-18 was a prototype developed in a competition to come up with a light fighter aircraft in conjunction with NATO, which entailed a series of offset packages and co-production agreements. Just before the consortium reached an agreement, the U.S. Navy shocked everyone by announcing its decision to purchase the F-18 unilaterally and in the face of congressional opposition to dual fighter programs.¹⁹²

¹⁹⁰ Lydenberg, *Weapons for the World*, 28.

¹⁹¹ Lydenberg, *Weapons for the World*, 28.

¹⁹² Goodwin, *Brotherhood of Arms*, 227.

That same month, coincidentally, the U.S. Ambassador to Iran submitted this memorandum to the Shah, which leads me to believe that Northrop discussed the sale of its newest U.S. fighter with Iran concurrently with the U.S. Navy; and that Northrop had attempted to create an artificial "need" for a land-based F-18 whose future was far from certain:

We are aware that Iran has recently discussed with Northrop and associated US firms a possible barter of oil for the land-based F-18L aircraft. According to information from the Department of Defense, there are several factors which Iran should be aware of as it considers the Northrop proposal. First, the current estimate is that development of the F-18L will cost 250-300 million dollars . . . and the development cost will be the responsibility of non-US buyers. To our knowledge, Iran is the only buyer . . . Secondly, if an F-18L aircraft is developed, the US Navy is not in a position to support the aircraft. Both of these questions are now under review in the Department of Defense . . . ¹⁹³

The Shah, understandably wary, informed Northrop that he would place an order for F-18s only after the US government placed its own order first. Further, the memo seems to point out the Pentagon's misgivings about F-18 sales to Iran, and Iran's seeming willingness to purchase any hardware offered.

In September, perhaps in response to the Shah's concerns, the president of Northrop flew to Tehran for a personal audience with the Shah. Already that month the Shah had become concerned over what appears to have been price gouging on the part of

¹⁹³ Alam, *The Shah and I*, 486-487.

the U.S. government (a nearly 300 percent price increase for previously contracted equipment) and seemingly with Kissinger's blessing.¹⁹⁴ Northrop's president was able to convince the Shah to write a letter to the Pentagon specifically requesting the F-18L aircraft for Iran's Air Force, "... in order to put pressure on the Pentagon to decide to produce the F-18 for the U.S. Navy."¹⁹⁵ This request was denied by the Carter administration, but illustrates the power that aerospace companies assumed that the Shah possessed. In essence, an order from the Shah was an assurance that a weapons system could be produced cheaply enough to be viable; more important, an order from the Shah was almost a necessity for production to start on new aircraft models.

Just as there is evidence of United States-Iran government-level cooperation in raising oil prices to pay for arms, the same pattern emerges with Saudi Arabia. As early as 1972, Ahmed Zaki Yamani, the Saudi oil minister, suggested a *quid pro quo* agreement between the U.S. and Saudi Arabia. Based on Aramco projections of increased Saudi oil production (from 8 MBD in 1972 to 20 MBD by 1980)¹⁹⁶ and U.S. dependence on oil imports (the nation would require 8-10 MBD of imported oil by 1980), Yamani suggested that favorable Saudi investment of oil profits, as well as production

¹⁹⁴ Alam, *The Shah and I*, 505-507. Alam's diary recounts the Shah's dismay over Kissinger's ostensible blessing of a price increase from \$6.5 million per aircraft (F-16) to \$18 million; and the Pentagon's insistence on a price increase from \$280 million to \$600 million for purchase of Spruance-class destroyers.

¹⁹⁵ Pierre, *The Global Politics of Arms Sales*, 49.

¹⁹⁶ Leonard Mosley, *Power Play: Oil in the Middle East* (New York: Random House, 1973), 414.

quotas, might be based on a change in U.S. policy toward Israel. This subtle hint was seemingly ignored.

However, when their tactic shifted to implied threats, the Saudis found a much more receptive audience in the United States.¹⁹⁷ Hints about the possible use of an Arab "oil weapon" multiplied from April 1973. That month, *Foreign Affairs* featured an article by James E. Akins, chief energy specialist in the State Department (and later Ambassador to Saudi Arabia) on loan to the White House, entitled "The Oil Crisis: This Time the Wolf is Here." An adaptation of a secret report he had prepared for the White House and which had been effectively ridiculed, it gave a comprehensive analysis of the recent forces in the global oil market: vast Gulf oil reserves, declining American production and mounting imports, a radical and increasingly unified OPEC, the necessity for concerted action by consumer governments (a position which had changed since his role in the Irwin mission, evidently) to develop alternative sources of energy. His ideas were met with skepticism. "Conservatism is not the Republican ethic," John Ehrlichman told him. Akins also speculated on the likelihood of Arab countries imposing an oil "boycott" if the Arab-Israeli problem was "not solved" by the late 1970s and went on to sketch a grim picture of the "difficult and limited choices" with which this would leave the United States: "We could try to break the boycott through military means, i.e., war; we could

¹⁹⁷ Daniel Yergin, *The Prize*. Much of the discussion of OPEC's oil machinations is taken from this masterful work, especially Chapter 29, "The Oil Weapon," 588-613.

accede to the wishes of the oil suppliers; or we could accept what would surely be severe damage to our economy, possibly amounting to collapse."

On May 15, the twenty-fifth anniversary of Israel's independence, oil workers in Libya, Iraq, Algeria, and Kuwait protested by cutting the flow of oil for part of the day. That same month, Qaddafi abruptly halted the Libyan production of the Bunker Hunt oil company because the United States deserved (as he chose to put it) "... a strong hard slap on [its] cool arrogant face."¹⁹⁸ Further, on two different occasions in May 1973, King Faisal of Saudi Arabia personally met with Aramco executives to impress on them that "... time is running out with regard to U.S. interests in the Middle East, as well as the Saudi position in the Arab world." He warned them that "You will lose everything," but he also explained that "... a simple disavowal of Israeli policies and actions" by Washington "... would go a long way toward overcoming the current anti-American feeling."¹⁹⁹ Aramco's parent companies took pains to relay the king's warnings both to Washington and to the American public. Mobil took out an ad in the *New York Times* on June 21 warning that "political considerations" might dominate future Saudi decisions on oil and the time therefore had come "... for the world to insist on a settlement in the Middle East." The chairman of Standard of California on August 2 went to the length of sending a letter to the company's 300,000 stockholders and employees, stressing America's growing future dependence on Arab oil imports and appealing for

¹⁹⁸ Wilkins, "The Oil Companies in Perspective," 72.

¹⁹⁹ Yergin, *The Prize*, 595-596.

"... understanding on our part of the aspirations of the Arab people and more positive support of their efforts toward peace in the Middle East." Standard's ploy backfired: California consumers initiated a boycott against its Chevron stations, and Standard was forced to withdraw the ads.²⁰⁰ Later that month, Sheikh Yamani warned Aramco more specifically that its November production might be held to seven rather than nine million barrels a day.

Thus, long before the 1973 Arab-Israeli War, the oil producers had given notice that the *status quo* was insufficient. U.S. government inaction is hard to explain given these warnings; especially as heretofore the U.S. government had taken quite a hard line against the oil states, especially if they threatened to shut off oil supplies. Even Akins' article had stated that such a threat was sufficient to justify U.S. government intervention. Not only was the U.S. government involved in oil matters during the 1953 Iran crisis, but it felt compelled to act in 1971 as well due to threats of an oil cutoff.

If Arab policies leading to the Yom Kippur and "oil" wars seem transparent given all of their warnings and symbolic saber-rattling, the American response to those events is profoundly puzzling. Why, since the embargo's impact on the United States turned out to be so slight (in spite of long gas lines), did American opinion react so strongly? I posit that Nixon administration (specifically: Kissinger) policy was such that it wanted the U.S. consumers to become inured to oil price increases; and an easy way to do this was

²⁰⁰ James W. McKie, "The United States," *Daedalus* 104:4 (Fall 1975), 81.

by grossly overplaying the effect of a non-existent (as explained below) gas shortage. I do not believe that Kissinger realized the repercussions of his act; later events would show that even he would reach his limit *vis a vis* oil price increases.

One point to be borne in mind is that once the oil had been placed in U.S. tankers, the OPEC nations no longer had control of the oil's distribution; i.e., Aramco's claims to the contrary, the King of Saudi Arabia could not force them to keep oil from America's shores. This point was made explicitly by the Shah at a Zurich news conference in February 1975. He stated that, "When we sell our oil and fill up the tankers in our terminal ports we do not mind and do not care where it goes."²⁰¹ In essence, oil company officials made the unilateral decision to divert oil to other countries rather than to the United States, thus heightening the illusion of a "shortage."

There is a widespread interpretation that the airlift of American arms to Israel's Sinai front on October 14, 1973 "... directly provoked the Arab states to cut back production and embargo the United States;" that the United States, compelled "... to choose between ... an adequate oil supply and ... support for Israel," forced Israel to accept the cease-fire; and that the gasoline queues of the following winter prompted Kissinger to work out the subsequent disengagements. This chain of inferences is almost certainly wrong.²⁰²

²⁰¹ Yonah Alexander and Allan Nanes, ed., *The United States and Iran: A Documentary History* (Frederick, MD: University Publications of America, 1980), 425.

²⁰² Raymond Vernon, ed., *The Oil Crisis* (New York: Norton, 1976), 179-202.

The timing of the price hikes is illuminating. The intense round of conferences in the fall of 1973, significantly, was set off three weeks before the Yom Kippur War, on September 15, when OPEC insisted on renegotiation of the 1971 Tehran agreement. (The Tehran agreement, as described above, ostensibly was meant to hold prices at a steady, if elevated, level for at least five years.) This was to be the purpose of the October 8 meeting, at which OPEC's "Gulf committee" (four Arab countries - Saudi Arabia, Kuwait, the Emirates, Qatar - plus Iran) confronted the companies' representatives with their demand for a 70 percent price increase. On October 16 in Kuwait, the ministers announced the increase unilaterally, and the next day the Arab oil ministers decided on production cutbacks. The exact formula for the cutbacks and the specifics of the embargo were announced by individual countries over the following days and weeks; in essence there was no OPEC-wide agreement. The sequence of events would seem to reflect the priorities: first, a price increase, not negotiated with the companies but imposed by the governments, Arab and non-Arab alike; second, the Arab production cutbacks, which supported the increased prices by reducing the oil available in the global export market by about 13 percent between October and December 1973; and third, the embargo against the United States, the Netherlands, and various other countries. The Saudis took the lead on the first two measures but were among the last to proclaim an embargo.

As discussed, the timing on the Arab side, for one thing, does *not* bear out the notion of American "provocation."

Nor does the timing on the American side support the hypothesis of oil blackmail.

In 1973, it took a month or more for a tanker from the Persian Gulf to reach the American coast. Not only were October and November 1973 months of record oil imports; the oil companies (in response to Saudi threats of an embargo) had overproduced throughout the year, as shown in Table 9. A mild reduction of imports occurred in December - but the full impact of the shortage was not felt until February and March 1974. If American policy changed in October, at most it changed in anticipation of, rather than in response to, any impact of the embargo.

TABLE 9²⁰³

Change in Crude Oil Output, Selected Intervals, 1973

	July-Dec 1973	Jan-Sept 1973
Saudi Arabia	-19.5%	36.4%
Kuwait	-16.1	-5.9
Abu Dhabi	-12.9	30.4
Qatar	-19.2	31.1

The conclusion thus suggests itself that, for key American as well as Arab policy makers, the events of October 1973 provided a convenient setting - perhaps a welcome pretext - for doing what they had long wished to do in any case. It seems clear that U.S. policy in the Gulf, which had become based almost wholly on arms sales to Iran and

²⁰³ Blair, *The Control of Oil*, 267. Kuwait's production drop in 1972-73 was due to worldwide environmental concerns over its sulfur-laden oil and not to an embargo.

Saudi Arabia, was supported by a rise in oil prices; thus it would be in Nixon's interest to allow the Gulf states to raise their prices.

As Nadav Safran, an authority on Saudi Arabia, points out, there was a harmonic convergence of oil price hikes and U.S.-Saudi defense planning. Safran reiterates that, "The [defense planning] effort was undertaken not when the change in the strategic environment seemed to call for it, but when funds and political opportunity made it possible."²⁰⁴ Nor were the Saudis averse to the actual outcome of the U.S. military modernization efforts: "[The efforts] were, if realized, sufficient to endow the kingdom with a capability for offensive missions against weaker neighbors and could contribute substantially to an Arab military coalition against Israel."²⁰⁵ These do not seem consistent with traditional U.S. policy aims in the Gulf.

Robert Litwak, on the other hand, disavows this theory, arguing that U.S. arms agreements with the Shah prior to 1973-1974 prove that a "congruence of geo-strategic perspective" was the driving factor in arming the Shah, not a desire for arms sales.²⁰⁶ Based on the evidence of oil price-fixing and a need to save U.S. arms manufacturers from a rapid decline in defense sales, I disagree; in fact, I see the two objectives as complementary.

²⁰⁴ Nadav Safran, *Saudi Arabia: The Ceaseless Quest for Security* (Ithaca: Cornell University Press, 1985), 209.

²⁰⁵ Safran, *Saudi Arabia*, 209.

²⁰⁶ Robert S. Litwak, *Détente and the Nixon Doctrine* (Cambridge: Cambridge University Press, 1984), 42.

D. UNINTENDED CONSEQUENCES

This decisive change in U.S. security assistance, with its new dependence on arms sales and the resultant deemphasis of economic development or civic action, seemed the perfect fix. In the short term it resulted in a stable regional order, an interventive pro-Western power, and continued access to oil.

In the long term, however, certain cracks appeared. First, the Iranian armed forces faced the high-tech, low-capability force dilemma. In essence, they could not utilize the vast armament at their disposal. Second, there was widespread societal discontent with the Shah's huge defense expenditures in light of his lack of domestic reform. This was manifest in several arenas. Finally, the unconditional delivery of U.S. arms to the Shah put the United States in the unenviable position of seeming to favor a personality (the Shah) and not a nation (Iran). This would resonate at the end of the 1970s.

Despite the fact that the Carter administration attempted to curb arms sales to Iran, the die was cast, and a self-destructive system in place. This program had several shortcomings. First was the shortage of manpower, both to use the weapons acquired and to maintain and repair them. Weapons ordered in 1973 and 1974 began arriving at an ever-increasing pace in the mid-1970s, placing enormous strain on Iran's technical support infrastructure. Columnist Jack Anderson noted in 1975 that, "Mountains of

munitions are piling up in Iranian docks and fields. Planes, helicopters and other sophisticated weapons are left in crates for weeks, waiting to be assembled."²⁰⁷

It was also clear that Iran was unable to absorb the sophisticated weaponry it was being sold. At one point, even the Chief of the Iranian Air Force admitted that Iran possessed more aircraft than they could possibly use; they were short of pilots and lacked the facilities to train more.²⁰⁸ The Shah was attempting to create a modern military in a country that still lacked the technical, industrial, and educational base to do so. Further, this required large numbers of trained personnel capable of operating, maintaining, and servicing highly complex weapons, as well as the extensive logistics systems and support operations that must accompany such arms. Less than half of Iran's population was literate, and there were comparatively few persons with experience in handling technology.²⁰⁹

Furthermore, the forces detailed to handle these technical weapons did not cut an impressive figure. According to Anthony Parsons, British Ambassador to Iran: "Boneheaded stupidity was not uncommon in the higher ranks" while he described the private soldiers as "Central Asian peasants."²¹⁰ As early as 1973, a Department of

²⁰⁷ Klare, *American Arms Supermarket*, 122.

²⁰⁸ Alam, *The Shah and I*, 390.

²⁰⁹ Pierre, *The Global Politics of Arms Sales*, 152.

²¹⁰ Anthony Parsons, *The Pride and the Fall: Iran 1974-1979* (London: Jonathan Cape, 1984), 33.

Defense assessment termed the Iranian build-up as "superficial," falling "... outside and far in advance of the Iranian industrial base." Further, it concluded that "by 1978, Iran's military machine may actually turn out to be a 'parade ground army' - physically impressive but incapable of prolonged military action."²¹¹ Asadollah Alam recounts several military exercises which were designed to flaunt Iranian military power but ended in abject failure before the Shah's eyes.²¹²

This was not the merely an American observation: Michael Brzoska observes that, "The perception of low Iranian military preparedness was a major factor behind the Iraqi decision to attack [in 1980]."²¹³ Although the dichotomy between equipment on hand and military capability was and remains more prominent in the Saudi context, the Shah recognized it as well. His solution was to hire Americans as technicians and to host a military training mission in Iran. Although figures vary, between 35-60,000 Americans lived in Iran, with about 25,000 associated with the Iranian armed forces. There was a social cost to this, as the affluent Westerners contrasted quite starkly with the financially beleaguered populace. More ominous, from a long-term security standpoint, the Shah's recruitment policies provoked the alienation of junior officers, cadets, and technicians who found themselves under the *de facto* supervision of foreigners. Considering that the Senate Foreign Relations Committee found "... it is unlikely that Iran could go to war

²¹¹ Palmer, *On Course to Desert Storm*, 80.

²¹² Alam, *The Shah and I*, 252-253.

²¹³ Brzoska and Ohlson, *Arms Transfers to the Third World, 1971-1985*, 18.

... without U.S. support on a day-to-day basis," one can appreciate the humiliation and resentment that Iran's fiercely nationalistic young officers must have felt when ordered to obey the instructions of American civilians. Indeed, the Shah's arms program began to cause profound divisions in the Iranian military - once viewed as a monolithic prop to the regime.²¹⁴

A second, and more immediate problem was the societal resentment caused by the Shah's defense spending. The oil glut of the mid-1970s caused 30 percent inflation but brought no change to the Shah's policy. With 25 percent of the budget being spent on defense, the opportunity costs in terms of development and infrastructure projects forgone were considerable. Spending on weapons led to the curtailment of construction at home, which contributed to unemployment. It also led to corruption, which fueled social frustration and public discontent. By 1978 every class of society had its grievances. The military was unpopular, for it was taking full advantage of a privileged place in Iranian society. The expected benefits of modernization, such as better housing, health services, and education were insufficient and were being very unequally distributed. In 1975, for example, illiteracy was 50 percent in Iran versus 40 percent in Tanzania. Life expectancy was 52 years in Iran compared with 51 in India and 60 years in Turkey.²¹⁵ This helped fan the religious reaction against modernization.²¹⁶

²¹⁴ Klare, *American Arms Supermarket*, 123.

²¹⁵ Alam, *The Shah and I*, 21.

²¹⁶ Pierre, *The Global Politics of Arms Sales*, 151.

Although one cannot lay the entire blame for the Iranian revolution on U.S. arms policy, one can see that long-term stability was sacrificed for short-term goals; and that unintended consequences resulted from the single-minded pursuit of arm sales to the exclusion of development or Iranian consensus.

V. SAUDI ARABIA

Saudi Arabia has always posed a dilemma to U.S. policy-makers. As large as the eastern United States, it possesses long coastlines along the Red Sea and Persian Gulf, as well as 26 percent of world oil reserves. At the same time, its small population (only 8 million in 1995) and unwillingness to base Western troops on Saudi soil have hampered U.S. attempts to give meaningful assistance to the kingdom, or to gain meaningful assistance from it.

As early as 1952, President Truman approved the United States Military Training Mission (USMTM) to Saudi Arabia with a charter to create a modern army.²¹⁷ In a typical attempt to curry favor with stronger Arab states (a trend toward appeasement which continues in modified form today), King Saud invited an Egyptian training mission to assist the Americans.²¹⁸ This was due almost entirely to a fear that Nasser might become offended by a U.S.-only presence in Saudi Arabia, and might attempt to use force against the kingdom. The unintended result was to allow Nasserite philosophy into the armed forces, and several coup attempts by Saudi officers were thwarted in 1955, 1957, 1958, and 1959.

At the same time, U.S. officers were driven to distraction by the lack of Saudi

²¹⁷ Safran, *Saudi Arabia*, 103.

²¹⁸ Mordechai Abir, *Saudi Arabia in the Oil Era* (Boulder: Westview Press, 1988), 77.

capabilities²¹⁹ and Saud's fear of Nasserite plots. Saud's ouster and Faisal's rise to power were accompanied by a halt of U.S. military aid in an attempt to appease Nasser; the lesson seems not to have been learned.

The protracted war in Yemen brought Saudi Arabia back to Western arms (literally and figuratively); Egyptian bombings of southern Saudi cities and Soviet arms transfers to the region convinced Faisal to request U.S. assistance. This was given primarily in the form of the unique "Engineer Assistance Agreement" formalized in 1965. This agreement is one reason for the large Foreign Military Sales figures to Saudi Arabia in the early 1970s, but it was (and remains) an ingenious method for generating defense revenues without selling weapons. From 1965 to the present, the U.S. Army Corps of Engineers has built over \$15 billion worth of military and civilian facilities in Saudi Arabia.²²⁰

These facilities, situated in strategic locations throughout the kingdom, were built not to house Saudi forces (the King Khalid Military City has a 50,000-person capacity, larger than the entire Saudi armed forces when it was completed), but Western ones, and specifically American forces. The infrastructure is compatible with American equipment and communications gear, not with gear which the Saudis possessed at the time. This "overbuilding program"²²¹ could satisfy all parties: it kept U.S. troops out of the

²¹⁹ Safran, *Saudi Arabia*, 104-105.

²²⁰ Hartung, *And Weapons for All*, 214.

²²¹ Safran, *Saudi Arabia*, 154.

kingdom; it garnered oil monies without selling advanced arms to Saudi Arabia; and it allowed for advanced U.S. bases whose presence remained relatively unknown to the American or Saudi public. This was combined with the Army Mobility Program, which sold over 10,000 vehicles to the Saudi Army at a cost in excess of \$150 million.

A. THE NIXON DOCTRINE AND SAUDI ARABIA

As the second of Nixon's twin pillars, Saudi Arabia was in some ways a compromise choice: although ineffective as a military power (and thus unable to stop any unfriendly forces from invading the Gulf or Peninsula), it was geopolitically important. Not only did it contain vast oil wealth, but its government, although anti-Israel, was also anti-Communist.

In fact, whereas other Arab states feverishly increased weapons purchases and military expenditures from 1967 to 1970, the Saudis did less to build up their military power after the Six-Day War than at any other time.²²² This was due to a great revenue slump, when annual growth reached only 6 percent compared to 20 percent from 1962-1966.

However, in 1970 a U.S. mission under Major General O.A. Leahey was sent to Saudi Arabia to address concerns resulting from Britain's impending withdrawal from the Gulf. Oddly, the Saudis specifically excluded their Army and National Guard from

²²² Safran, *Saudi Arabia*, 203.

Leahey's purview: this may have been because the Saudis were secretly planning to equip their ground forces with French armor, which they did in 1973.²²³

Unlike the Iranian case, where the Shah demanded and received large amounts of U.S. weaponry in 1971 and 1972, early U.S. arms transfers to Saudi Arabia were relatively insignificant; aside from a large shipment of 55 F-5Bs (the Foreign Military Sales aircraft of choice) in 1971, and a renewal of the Engineer Agreement in 1972, the Nixon Doctrine had little initial effect in Saudi Arabia. In fact, Saudi Arabia posed more contradictions to the United States than did Iran, despite Iran's spectacular failure. Examined in the light of U.S. interests in the Middle East, Saudi Arabia seemed inimical to most of them.

What had more of an effect on Saudi Arabia was the regional arms race fueled by the Nixon Doctrine (see Table 10). The build-up of the Iranian armed forces became a concern to the Saudis as well as the Iraqis. While Iraq turned to the Soviet Union for arms, Saudi Arabia was unwilling to do so. It therefore began large scale purchases from the United States; military purchases rose from \$15 million in 1971 to \$6 billion in 1975.

²²³ Safran, *Saudi Arabia*, 198.

TABLE 10²²⁴

**Iranian and Iraqi Arms Imports, 1969-1978
(Millions of U.S. \$)**

	Iran	Iraq
1969	220	70
1970	160	50
1971	320	40
1972	525	140
1973	525	625
1974	1,000	625
1975	1,200	675
1976	2,100	1,000
1977	2,400	1,500
1978	2,100	1,500

As shown in Table 11, Saudi defense spending did not begin to surge until 1974, although interestingly Saudi oil revenue had increased by 69 percent in 1971 and around 50 percent in 1972 and 1973.

²²⁴ Palmer, *On Course to Desert Storm*, 78.

Table 11²²⁵

**Saudi Military Imports and Spending
(Millions of Constant U.S. Dollars)**

Year	Total Defense Spending	Defense Spending As a Percent of	
		GNP	National Revenues
1973	2,287	13.2	17.5
1974	4,729	10.9	34.7
1975	10,587	17.4	34.1
1976	14,483	19.1	35.5
1977	13,797	15.3	25.3
1978	14,523	15.9	29.0
1979	17,230	18.1	27.3
1980	19,140	14.4	26.7
1981	21,501	12.9	28.1
1982	24,159	15.7	27.7
1983	26,088	24.3	29.6

In another example of noteworthy timing, in December 1973 (the height of the embargo), the Saudi Ministry of Defense approached the Defense Department and requested assistance on a five to ten-year modernization program for its Air Force. Incredibly, DOD agreed on the condition that it be broadened to a comprehensive survey for Saudi defense needs over a ten-year period. The Saudis assented, but insisted that the National Guard be placed under a separate survey.

²²⁵ Anthony Cordesman, *Western Strategic Interests in Saudi Arabia* (London: Croom Helm, 1987), 127.

This report, presumably still classified as it does not appear in the index of unclassified documents, saw little external threat to Saudi Arabia, but upon Saudi "insistence" made recommendations to cover that contingency. The modernization program entailed an increase in army strength from 45,000 to 72,000; the Air Force from 14,000 to 22,000; the Navy from 300 to 3900; and the National Guard to remain at 35,000. What would increase at a greater rate would be firepower: the Army would gain two armored brigades, four mechanized brigades, one airborne and one air-assault brigade, all equipped with U.S. gear, some of it contracted for directly with U.S. companies.²²⁶

The costs of arming the ground and air forces and creating a navy would run into the billions of dollars: the cost of furnishing the offices was over \$1 billion.

Perhaps the most controversial project was the March 1973 program called Office of Program Management-Saudi Arabian National Guard (OPM-SANG), which was to modernize the Saudi Arabian National Guard (SANG). In order to lighten the load on the U.S. Military Training Mission (as well as keep U.S. troops out of the area), OPM-SANG was contracted to the Vinnel Corporation, a private firm. It was projected to cost \$335 million and last for four years. By 1976 total costs had escalated to \$1.9 billion; the project continues to this day.²²⁷

²²⁶ Safran, *Saudi Arabia*, 206.

²²⁷ Hartung, *And Weapons for All*, 214-215.

Since the National Guard had the explicit mission of internal security, especially the oil fields, could this have been a precaution taken for a planned oil shock? Perhaps the Saudis feared a Western attempt to seize their oil facilities, or at least sabotage them when oil prices rose or oil supplies fell. Kuwait, for one, mentioned this, as did Saudi Arabia.

B. STABILIZATION OF THE REGION

As a surrogate force in the Persian Gulf, Saudi Arabia was (unlike Iran), and remains, incapable of defending its frontiers or projecting power abroad. Its lack of population, primitive army and aversion to Western troops on its soil made it an odd choice as a stabilizing force. Further, the 1974 U.S. Military Commission which studied the Saudi defense situation considered invasion of the Saudi mainland unlikely; but its forecast posited a situation where if Iraq invaded, Saudi forces would fight a holding action until Iranian forces could arrive, and that Iranian forces would hold until U.S. forces could move into the area and fight the decisive war. This passage puts each nation into its prospective place *vis a vis* the surrogate strategy: Saudi Arabia was incapable of little more than slowing an incompetent attacker: Iran would provide the cannon fodder to actually hold the attacker in place, at which point the pre-built base facilities would allow the United States to occupy Saudi soil and counter-attack.

Once the Shah fell, support for Saudi Arabia necessitated a break with the Nixon

Doctrine by definition, since U.S. forces were the only option to stopping a hostile power in the Gulf. I see this as another example which shows the Doctrine to be mere sloganeering for an arms sale policy. Thus, the need to equip the Saudis with a preponderance of weaponry was at best stop-gap and at worst using the Saudis as a "fire and forget" weapon until real forces could arrive. The Saudi connection was thus not effective in containing a hostile power in the Gulf.

As for the continued existence of Israel, the Saudis were decidedly lukewarm. Unlike the Iranians, who maintained a relationship (albeit relatively unpublicized) with Israel, the Saudis discreetly supported the "front-line" Arab states in their struggle with Israel. In fact, Saudi Arabia quietly undermined U.S. mediation efforts in the region. Thus, one can rule out Saudi support for the peace process as a benefit of the Nixon Doctrine.

C. DEVIATION FROM THE NIXON DOCTRINE: THE LAST PILLAR STANDING

The most important change in U.S.-Saudi relations occurred in 1979, after Iran's Islamic revolution. As the other "twin pillar," Saudi Arabia had tacitly allowed Iran control of the Gulf while taking "responsibility" for the defense of the peninsular Gulf States. The destabilizing effect of the Iranian revolution manifested itself in Shiite revolts in Bahrain and Saudi Arabia's Eastern Province; at the same time an explicitly hostile Iran seemed to highlight Saudi Arabia's inability to defend itself.

The strain between Iran and its smaller neighbors evoked parallel but competing responses from Iraq and Saudi Arabia; in September 1979, the Iraqi Defense Minister visited Bahrain and Kuwait and assured them of Iraqi protection from any "external party."²²⁸ A week later the Saudis upped the protection ante, deploying two brigades to Bahrain while Iran conducted large scale exercises in the Gulf; this was followed two months later by Saudi Arabia's announcement of plans to build a causeway between the Saudi mainland and Bahrain. This pattern continues today.

The Iranian Revolution, combined with the Soviet invasion of Afghanistan, changed the tacit weapons-for-oil mercantile relationship to a *de facto* strategic partnership between Saudi Arabia and the West. Saudi Arabia became dependent on Western military equipment and advice for the modernization of its forces, as well as an over-the-horizon presence of U.S. forces to deter an attack from the Soviet Union, Iran, or Iraq. At the same time, the United States needed the specially-constructed Saudi Arabian facilities to assist in any major regional interventions; Diego Garcia, the closest U.S. support facility is as far from the Gulf as is Dublin, Ireland.

Part of this policy shift entailed a new military role in the Gulf for Saudi Arabia. When the Ayatollah Khomeini took power, he canceled all outstanding arms agreements with the United States. This amounted to about \$8-10 billion worth of advanced arms

²²⁸ Safran, *Saudi Arabia*, 356.

under production; just as important were the billions of dollars of future orders upon which the arms industry had grown to depend.

In response, President Jimmy Carter ordered the Secretary of Defense to overcome the crisis as quickly as possible; Secretary Harold Brown ordered manufacturers to continue production (in part fueled by \$500 million of Iranian money which remained in the Foreign Military Sales trust fund) while he searched for buyers. First, the U.S. military was allowed to bid upon what it desired in what columnist Jack Anderson called "the Great Iranian Fire Sale."²²⁹ Then, Brown went abroad. He convinced Israel to take over Iran's F-16 program; next, accompanied by Lt. Gen. Ernest Graves of the Defense Security Assistance Agency, he visited Saudi Arabia, Jordan and Egypt.

Riyadh was his first stop. Here, Brown effectively changed U.S. policy in the Gulf, suggesting that Saudi Arabia take over some of Iran's peacekeeping functions in the region in return for additional arms and military assistance. This role was not to include containment of Soviet or Iranian threats (which would remain the U.S. role) but a "... more modest role in combating local insurgencies and tribal conflicts that could threaten the oil flow."²³⁰ This killed two birds with one stone: it propped up the regime by

²²⁹ Klare, *American Arms Supermarket*, 135.

²³⁰ Klare, *American Arms Supermarket*, 136-137.

making the SANG an arm of U.S. foreign policy; and it provided for even greater arms sales to Saudi Arabia, in part to make up for the loss of Iranian markets.

The Saudis eagerly accepted; their condition, much like that of Iran in 1971, was that the U.S. give them more offensive capability. Their wish list included upgrades to their as-yet-undelivered F-15s to include air-to-air missile packages and bomb racks; aerial tankers; and the controversial AWACS capability.²³¹ Brown made no firm deals then, but a few months later the formal requests from Saudi Arabia poured in.

What was agreed upon was even stranger: the Saudis demanded, and received, the right to finance sales of advanced arms to the Sudan (a \$188 million aircraft deal), North Yemen (\$353 million for aircraft, 60 M60 tanks and 50 M113 APCs) and Jordan. In essence, the Saudis were able to use oil money to dictate U.S. policy in the Middle East (though not against U.S. wishes); the United States would equip Saudi internal security forces, would act militarily to protect the kingdom's external security, and would sell weapons based on Saudi terms to parties of the Saudis' choosing.²³² This echoed an earlier arms deal, where Saudi Arabia promised \$300 million for Hawk missile batteries in Jordan, but balked when they realized that it would cost extra to maintain them. Saudi Arabia put subtle pressure on the United States by reneging on the deal but promising the Jordanians a \$300 million credit for Soviet missiles; the United States appears to have

²³¹ Klare, *American Arms Supermarket*, 137.

²³² Klare, *American Arms Supermarket*, 138-139.

bowed to Saudi and Iranian pressure to give the arms to Jordan.²³³ This was the genesis of the *Pax Saudica*, a policy which still has repercussions today.

One of the other U.S. overtures was rebuffed, however, when Brown proposed the establishment of a U.S. base and explicit security guarantees for Saudi Arabia. This the Saudis refused in favor of immediate acquisition of offensive armaments, a deal which Brown had already rejected. The Saudis countered by signing a defense agreement with Iraq, while still ordering weapons from the United States.

In spite of U.S. efforts, the 1980s merely highlighted Saudi and GCC helplessness; despite an inordinate amount of defense expenditures by the Saudis (rising to 46.3 percent of government expenditures in 1987), Western intervention and direct U.S. military action was necessary to maintain oil flows during the "Tanker War" of 1987-1988. In effect, arms transfers to Saudi Arabia failed to stabilize the region, as Iran was able to threaten the Gulf states, who went so far as to request Soviet protection. In effect, U.S. policy geared specifically to Soviet containment drove the Arab oil states into the Soviets' arms. And the lack of a direct threat to the kingdom made stationing U.S. troops in the ready-built bases unfeasible.

Increased deployments and unpublicized U.S.-Iraqi cooperation, begun in the early 1980s, reflected the recognition that Saudi Arabia was an unsuitable surrogate, and that Iran now needed to be contained. The argument can be made that U.S. support for

²³³ Alam, *The Shah and I*, 474.

Iraq led it to believe that it could take over as a "surrogate" in the region, and continue the earlier Iranian trend of forcibly staking its claims to disputed territories.

The necessity for Operations Desert Shield/Storm reinforced the fact that the GCC states remained helpless in the face of even semi-professional armies. The operation is too well-known to rehash, but its repercussions are pertinent.

In an emotional climate similar to post-1967 Egypt, after Desert Storm the GCC states (primarily the Kingdom of Saudi Arabia and Kuwait) went on a frenzied weapons buying spree in order to ensure that history would not repeat itself; this mindset received Western and U.S. support which continues to the present.

At this juncture it is appropriate to discuss the benefits which the United States thought would accrue from its support of Saudi Arabia. As shown from the Iranian case study, the short-term benefits are often stupendous; it could be argued that, in fact, they outweigh any long-term deleterious effects.

1. If examined in the light of U.S. interests - i.e., Israel, oil, containment - the balance sheet is favorable toward U.S. military assistance policy to Saudi Arabia. Unlike the early 1970s, where the Saudis had to fear the radical Arab states and their Soviet sponsor, the Saudis have become a leader in the Arab world due to their oil wealth; at the same time their dependence on the U.S. for defense has made them much more pliable in supporting U.S. overtures in the region. Further, Iran's support of Shii movements makes it easy for the Saudis to adopt a conciliatory stance toward Israel since Iran presents a more immediate existential and economic threat.

2. Since as early as 1965, and explicitly in 1974, the U.S. has known that Saudi arms could not contain forces hostile to U.S. interests in the Gulf; in fact, the best that could be hoped is that Saudi forces would act as a "speed bump" in front of invading armies. Even this modest goal has been unobtainable; as the Earnest Will missions of 1987-1989 and Desert Shield/Storm showed, Saudi Arabia is better utilized as an advanced base than as a defensive arm. But as an advanced base it is virtually unparalleled; both the naval and ground facilities are first-rate and strategically located. U.S. arms transfer policy has cemented a relationship with an exceptionally important ally, and given us a foothold in the region from which to protect our interests. In essence, the Saudis are a fundamental part of U.S. containment strategy.

3. The Saudis' moderation of their oil policy has been, in no small part, the result of the U.S. willingness to supply them with arms. There is no mistaking the benefit of having a close alliance with such a powerful partner in OPEC; on numerous occasions the Saudis have either increased production or refused to raise prices in order to ensure continued good relations with the West. This was, and remains, Ambassador Akins' argument. In Operations Earnest Will and Desert Shield/Storm, the Saudis provided over \$17 billion in direct and indirect aid to U.S. forces, as well as paying other expenses, further highlighting U.S.-Saudi interdependence. Therefore, in maintaining oil flows from the Gulf, U.S. arms transfer policy has succeeded. The Saudi regime has not fallen, oil prices remain affordable, and U.S. power is paramount in the region.

4. Furthermore, the United States has battle-proven and highly desirable weapons

systems. U.S. government procurement of defensive technologies has fallen from \$118 billion in 1990 to \$50 billion in 1997; up to 2.5 million experienced defense workers will have been laid off by the year 2001.²³⁴ Therefore, it is imperative for national security that arms transfers continue both to maintain a viable Defense Technological and Industrial Base in case of future wars, and to save American jobs; balance of payment issues are also important. Consequently, one could rightfully ask, on what grounds would U.S. arms transfer policy lead to long-term instability?

²³⁴ William J. DelGrego, *The Diffusion of Military Technologies to Foreign Nations* (Maxwell AFB: Air University Press, 1996), 3-4.

VI. REPERCUSSIONS AND POLICY OPTIONS

As discussed, the ramifications of wanton arms sales are manifold, and especially in regards to Saudi Arabia. As in Iran, the unfettered sale of arms to Saudi Arabia has created a weapons-rich, but small and relatively inept force. The Saudi Army has shown itself incapable of defending the kingdom: this inability has necessitated the permanent basing of U.S. Army and Air Force troops in the kingdom to defend against possible Iraqi incursions. The U.S. presence has become perhaps the greatest threat to the Saudi regime, enraging religious conservatives and liberals alike; U.S. troops have served as a rhetorical focal point and literal target for Saudi dissident groups.²³⁵

Furthermore, attempts to absorb the great amounts of U.S. weaponry now in the Saudi forces have pointed out the possible need to institute conscription; the suggestion alone, made publicly on several occasions by King Fahd,²³⁶ was controversial. If implemented, which is doubtful, it would create social discord both among the Sunnite population which is at best lukewarm about military service, and the underemployed Shiites who are not allowed to serve.²³⁷

²³⁵ Numerous media sources, to include *Mideast Mirror* (14 August 1995, 16 August 1995, 15 November 1995) and *The Independent* (8 February 1996).

²³⁶ Peter W. Wilson and Douglas F. Graham, *Saudi Arabia: The Coming Storm* (Amronk, NY: M.E. Sharpe, 1994), 165.

²³⁷ Joseph Kechichian, *Political Dynamics and Security in the Arabian Peninsula Through the 1990s* (Santa Monica: Rand, 1993), 57.

Secondly, recent media reports have highlighted a deteriorating domestic situation in the kingdom,²³⁸ especially the Eastern Province. Despite a fall in oil revenues, defense expenditures remain high while entitlements (subsidies for private business and guaranteed government jobs, for example) have been reduced. Hints that an income tax might be levied were not well-received; one of the unspoken fundamentals of Saudi society is the acceptance of "no representation as long as there is no taxation."

At the same time, and perhaps more important in breeding instability, is the intraregional arms race which has been fueled by U.S. policies and that said policies presently exacerbate. As discussed, the arming of the Shah begat an Iran-Iraq arms race, as well as the fall of the Shah. The Iran-Iraq War dragged on in part due to continued arms sales to the actors who made up in fanaticism what they lacked in ability, and only U.S. intervention maintained vital oil flows. The U.S. intervention encouraged Iraq in its designs, however, and helped beget the invasion of Kuwait, and only massive international intervention stopped Iraq and saved Kuwait.

The lesson that the GCC states have learned is the wrong one: they have ignored the high-tech low-capability reality and become enamored of the idea that weapons per se bring security. They have also learned that a bigger army in the neighboring state is a source of insecurity: and thus they must scramble to keep up, in the classic self-perpetuating cycle. This cycle has proven to be deeply destabilizing for the regimes who

²³⁸ Kechichian, *Political Dynamics*, 42-45.

are supposed to be helped; and the short-term fix of selling more arms to ensure parity collides with the long-term needs for infrastructure building, education and enlargement of democratic institutions. A sense of nationality and a stake in the political process for its citizenry will give the Gulf states more security than U.S. arms transfers alone.

This arms race is counterproductive for U.S. interests and regional stability. First, none of the GCC states can stand up to an Iraqi or Iranian attack. Thus, large military expenditures are an absolute waste for these nations. For several of the oil states, a program of development and economic expansion might be a better road to security in anticipation of the oil one day running out. Second, the overwhelming strength of the Saudi forces *vis a vis* the GCC gives the smaller states pause for thought:²³⁹ explicit U.S. support for the Saudi regime gives the illusion that the United States will approve virtually any course of action that the kingdom takes. Saudi Arabia presently has border or mineral disputes with Yemen, Qatar, Oman, Kuwait, and Bahrain. In fact, a recent study states that:

Not one of the states of the Arabian Peninsula recognized by the international community, Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Oman and Yemen could put up a watertight case to the International court at the Hague to retain the territory it actually occupies. Each one of their boundaries could be challenged, in whole or in part, by its neighbour or a third party.²⁴⁰

²³⁹ Kechichian, *Political Dynamics*, 43.

²⁴⁰ John C. Wilkinson, *Arabia's Frontiers* (London: I.B. Tauris, 1991), i.

Any of these could be quickly solved by Saudi arms, and the smaller states realize this. By the same token, U.S. acceptance of large standing forces gives tacit approval (as it did to Iraq on several occasions) to solve matters unilaterally; this violent solution by definition will have a deadly outcome, and may draw the U.S. unwittingly into intraregional disputes. In fact, U.S. policy increases the chances of this by arming states who would otherwise traditionally turn to mediation.

One aspect of U.S. arms transfers to the Gulf that is disturbing and that may have unpleasant ramifications, is support for repressive regimes. It is well-known that most governments in the region are autocratic; furthermore, a large proportion of arms which go to these states are utilized by internal security forces to put down dissent. Although the Saudi Arabian National Guard is the most egregious example, Bahrain has also used armed forces to quell internal disturbances. Although the use of arms transfers to keep a friendly regime in power seems fruitful, supplying repression carries a heavy price in popular ill will if the regime ever falls. And since monarchs utilize armies for the primary purpose of regime survival, the U.S. support becomes personalized.

Counterfactually, I posit an even more interesting scenario; recent reports have it that the Caspian basin may contain more oil than the Middle East (though more sober observers equate its capacity with a mid-level OPEC producer such as Kuwait).²⁴¹ At the same time, oil reserves in the Gulf region are dwindling. If the Persian Gulf region begins to lose market share, each individual country may find it in their interest not only

²⁴¹ Telephone interview with Manucher Farmanfarmaian, 5 November 1997.

to defend their own oil shipments but to economically or militarily attack the other states. Iran or Oman may find it in their interest to control shipping routes. There is a possibility that a pitched battle for the Strait of Hormuz, followed by a neo-Tanker War, could result. All of the Gulf states have the wherewithal to conduct air attacks on unarmed merchant vessels.

With this in mind, a change in U.S. security assistance policy may be advisable. Although the Saudi regime is a bit more stable than the Shah's was, and not as prone to excesses, the danger exists for it to fall; further, virtually unlimited arms sales to other states lend them little defensive capability but increase their neighbors' perceptions of their own insecurity.

I suggest a variation on the theme presently in place. First, explicit U.S. security guarantees should be given to all GCC states; a treaty or agreement may be worded in such a way as to put them under a security umbrella without unduly ruffling the rather prickly regimes in Iran, Iraq or Saudi Arabia.

A legacy of the Nixon Doctrine remains in the large Iranian and Iraqi militaries: James Akins views the axiomatic acceptance of Iranian/Iraqi hegemony in the Gulf as the Nixon Doctrine's most harmful byproduct.²⁴² U.S. failure to build and maintain consensus for its dual containment policy merely highlights the security problem which has resulted from the development of these regional superpowers.

²⁴² Interview with Ambassador Akins, 3 October 1997.

The smaller Gulf states suffer from a typical peril and refuge dilemma: the United States may be the power today, but it is prudent to stay on the good side of Iraq and Iran just in case. As in South Asia today, where U.S. withdrawal from the Philippines and Korea has given impetus to both an arms race and Chinese adventurism,²⁴³ the Gulf states are put in the unenviable position of having to appease several actors.

The fear of U.S. withdrawal and consequent Iranian/Iraqi hegemony in the Gulf must be curbed; and it cannot be curbed with increased arms sales. The Gulf is vital enough to U.S. interests to be an explicit part of the U.S. sphere of influence; and a *Pax Americana* based both on U.S.-European cooperation (as in 1987-89 and again in 1990-91) and on explicit security guarantees to any Gulf state in case of attack, would both ensure our friends in the area and perhaps draw our erstwhile enemies into the fold.

Second, remove U.S. troops from Saudi Arabia and utilize bases in Qatar, Bahrain, Oman and Kuwait.

The presence of U.S. troops on Saudi soil actively works against our interests and should be discontinued immediately. A series of bilateral agreements between the United States and the Gulf states has given the United States a large assortment of basing rights, prepositioned supplies and exercise opportunities.²⁴⁴ The enhanced U.S. ability to react

²⁴³ "New Arms Race," *The Wall Street Journal*, 13 November 1997.

²⁴⁴ Anthony Cordesman, *U.S. Forces in the Middle East* (Boulder, Colo: Westview Press, 1997), 69-72.

quickly to Iraqi moves will more than make up for limited numbers of U.S. troops in Saudi Arabia, where their presence has become counter-productive.

This will also have the effect of reassuring smaller Gulf states that a *Pax Saudica* is not the U.S. goal; true peace and stability is. Further, greater use of non-Saudi facilities will show that the United States is willing to guarantee everyone's security in the region and will go far toward alleviating fears and rivalries.

Third, begin to substitute small and unobtrusive U.S. military training missions for arms sales. At this point, absorption and maintenance of weapons systems is a greater concern than acquisition of more.

Presently there are about 700 military trainers in the entire Gulf region.²⁴⁵ This compares with the British effort in Oman, where there are roughly 300 British troops acting as trainers. The British system has been noteworthy in its ability to create viable armed forces; the United States should consider the long-term benefits of utilizing its stock of foreign area officers and seasoned non-commissioned officers to create a professional military class in the Gulf states.²⁴⁶ This ethos would be one of the most

²⁴⁵ Cordesman, *U.S. Forces in the Middle East*, 84.

²⁴⁶ Perhaps the most successful U.S. effort in the Vietnam War was the Combined Action Platoon (CAP) program, where the U.S. Marines deployed small twelve-man units to roughly 90 Vietnamese villages. These units lived as villagers and patrolled with Popular Forces militia units. Both the officers and marines were forced to become expert in the Vietnamese language and culture. No village protected by a CAP was ever captured by Vietcong forces; this could also serve as a model for U.S. training missions to the region. A masterful discussion of the CAP program is found in F.J. West, *The Village* (Madison, WI: University of Wisconsin Press, 1985). West was a Marine captain who spent two years in the village of Binh Nghia commanding a CAP.

significant legacies of the U.S. presence in the region. Further, it would be instrumental in creating a cohesive and combat-effective Peninsular Shield Force for the Gulf Cooperative Council by standardizing training and operations between the various states.

In addition, the number of soldiers in Gulf armies do not match the number of weapons. By Western standards, Saudi Arabia's force structure would require 100,000-150,000 men; the Saudi armed forces presently stand at around 76,000.²⁴⁷ Kuwait's Army, with 8-9000 men, roughly one-half the size of its pre-1991 force, should have about 30,000 to man its force structure. Neither country has shown a willingness to stop arms purchases; the United States should do everything within its power to increase training missions on the British model and decrease arms transfers to the region.

Finally, a combination of the Fifth Fleet, Carrier Battle Groups and Amphibious Ready Groups must aggressively patrol and show the flag in the Gulf. They can serve as both early-warning and first-response forces at lower cost than other forces, although it has been argued recently that U.S. deployments in the Gulf do not return good value.²⁴⁸ In purely monetary terms I would agree, but world preeminence is not always cost-effective. The deterrent effect of the Carrier Battle Group and Marine Expeditionary Unit offshore is such that short-term costs are outweighed by the long-term benefits of preventing aggressive moves by potential hegemonies in the region.

²⁴⁷ Anthony H. Cordesman, *After the Storm: The Changing Military Balance in the Middle East* (Boulder, Colo: Westview, 1993), 570.

²⁴⁸ Graham E. Fuller and Ian O. Lesser, "Persian Gulf Myths," *Foreign Affairs* 76, no. 3 (May/June 1997): 42-53.

VII. CONCLUSION

The Nixon Doctrine and its predecessors created a system whereby arms sales replaced a U.S. presence in many regions; these profligate sales have led to counterproductive arms races and even greater instability in the Persian Gulf. The history of U.S. intervention in the region is the history of this policy's failure.

The Nixon Doctrine's roots were not in Vietnam. Rather, the Nixon Doctrine was a premeditated policy to arm the Shah of Iran as U.S. surrogate, bypass congressional oversight, and prop up the sagging U.S. defense industry. The Doctrine was an attempt to balance the geo-political imperatives of Soviet containment and access to oil with the need to satisfy domestic pressures, and it was an astute political solution in the short term.

Arming the Shah required that Iran develop a source of revenue, and the evidence shows an explicit change in U.S. energy policy which facilitated the Shah's arms purchases. After U.S. acquiescence to oil price hikes in 1971, there appears to be unprecedented U.S.-Iran cooperation and encouragement in raising oil prices thereafter, connected to an explicit agreement to sell Iran any and all conventional weapons it wished to purchase. The concurrent changes in U.S. energy and arms transfer policy are not coincidental; they were intimately and causally connected.

The large-scale arms transfers resulting from and associated with the twin pillars strategy have a seductive allure in the short term, when examined in view of continued access to oil supplies. On the other hand, U.S. arms transfers hastened the fall of the

Shah, helped precipitate two costly wars in the region, and encourage a regional norm wherein costly ineffective armies may someday need to prove their efficacy.

The Nixon Doctrine ultimately proved to be a failure; profligate arms sales *per se* cannot bring stability. Present policy remains in large part based upon the flawed foundations of the Nixon Doctrine, and is thus counterproductive in furthering U.S. interests in the Gulf.

A better long-term solution is to encourage economic diversification; give explicit security guarantees to the GCC states while attempting to contain Iraq and engage Iran; utilize basing agreements where possible, withdraw U.S. troops from Saudi Arabia, and put training missions in place to help reform Gulf forces; and finally, utilize forward-deployed maritime forces to aggressively patrol and maintain a presence in the Gulf.

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